

***In the Senate of the United States,***

*May 7, 1998.*

*Resolved*, That the bill from the House of Representatives (H.R. 2676) entitled “An Act to amend the Internal Revenue Code of 1986 to restructure and reform the Internal Revenue Service, and for other purposes.”, do pass with the following

**AMENDMENT:**

Strike out all after the enacting clause and insert:

1 ***SECTION 1. SHORT TITLE; AMENDMENT OF 1986 CODE;***  
2 ***TABLE OF CONTENTS.***

3 *(a) SHORT TITLE.—This Act may be cited as the “In-*  
4 *ternal Revenue Service Restructuring and Reform Act of*  
5 *1998”.*

6 *(b) AMENDMENT OF 1986 CODE.—Except as otherwise*  
7 *expressly provided, whenever in this Act an amendment or*  
8 *repeal is expressed in terms of an amendment to, or repeal*  
9 *of, a section or other provision, the reference shall be consid-*

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1 *ered to be made to a section or other provision of the Inter-*  
 2 *nal Revenue Code of 1986.*

3 (c) *TABLE OF CONTENTS.—The table of contents for*  
 4 *this Act is as follows:*

*Sec. 1. Short title; amendment of 1986 Code; table of contents.*

***TITLE I—REORGANIZATION OF STRUCTURE AND MANAGEMENT OF  
THE INTERNAL REVENUE SERVICE***

***Subtitle A—Reorganization of the Internal Revenue Service***

*Sec. 1001. Reorganization of the Internal Revenue Service.*

*Sec. 1002. IRS mission to focus on taxpayers' needs.*

***Subtitle B—Executive Branch Governance and Senior Management***

*Sec. 1101. Internal Revenue Service Oversight Board.*

*Sec. 1102. Commissioner of Internal Revenue; other officials.*

*Sec. 1103. Treasury Inspector General for Tax Administration.*

*Sec. 1104. Other personnel.*

*Sec. 1105. Prohibition on executive branch influence over taxpayer audits and  
other investigations.*

*Sec. 1106. Review of Milwaukee and Waukesha Internal Revenue Service offices.*

***Subtitle C—Personnel Flexibilities***

*Sec. 1201. Improvements in personnel flexibilities.*

*Sec. 1202. Voluntary separation incentive payments.*

*Sec. 1203. Termination of employment for misconduct.*

*Sec. 1204. Basis for evaluation of Internal Revenue Service employees.*

*Sec. 1205. Employee training program.*

***TITLE II—ELECTRONIC FILING***

*Sec. 2001. Electronic filing of tax and information returns.*

*Sec. 2002. Due date for certain information returns.*

*Sec. 2003. Paperless electronic filing.*

*Sec. 2004. Return-free tax system.*

*Sec. 2005. Access to account information.*

***TITLE III—TAXPAYER PROTECTION AND RIGHTS***

*Sec. 3000. Short title.*

***Subtitle A—Burden of Proof***

*Sec. 3001. Burden of proof.*

***Subtitle B—Proceedings by Taxpayers***

*Sec. 3101. Expansion of authority to award costs and certain fees.*

*Sec. 3102. Civil damages for collection actions.*

*Sec. 3103. Increase in size of cases permitted on small case calendar.*

*Sec. 3104. Expansion of Tax Court jurisdiction to responsible person penalties.*

*Sec. 3105. Actions for refund with respect to certain estates which have elected the installment method of payment.*

*Sec. 3106. Tax Court jurisdiction to review adverse IRS determination of tax-exempt status of bond issue.*

*Sec. 3107. Civil action for release of erroneous lien.*

*Subtitle C—Relief for Innocent Spouses and for Taxpayers Unable To Manage Their Financial Affairs Due to Disabilities*

*Sec. 3201. Spousal election to limit joint and several liability on joint return.*

*Sec. 3202. Suspension of statute of limitations on filing refund claims during periods of disability.*

*Subtitle D—Provisions Relating to Interest and Penalties*

*Sec. 3301. Elimination of interest rate differential on overlapping periods of interest on tax overpayments and underpayments.*

*Sec. 3101A. Property subject to a liability treated in same manner as assumption of liability.*

*Sec. 3302. Increase in overpayment rate payable to taxpayers other than corporations.*

*Sec. 3303. Elimination of penalty on individual's failure to pay for months during period of installment agreement.*

*Sec. 3304. Mitigation of failure to deposit penalty.*

*Sec. 3305. Suspension of interest and certain penalties where Secretary fails to contact individual taxpayer.*

*Sec. 3306. Procedural requirements for imposition of penalties and additions to tax.*

*Sec. 3307. Personal delivery of notice of penalty under section 6672.*

*Sec. 3308. Notice of interest charges.*

*Sec. 3309. Abatement of interest on underpayments by taxpayers in Presidentially declared disaster areas.*

*Subtitle E—Protections for Taxpayers Subject to Audit or Collection Activities*

*PART I—DUE PROCESS*

*Sec. 3401. Due process in IRS collection actions.*

*PART II—EXAMINATION ACTIVITIES*

*Sec. 3411. Uniform application of confidentiality privilege to taxpayer communications with federally authorized practitioners.*

*Sec. 3412. Limitation on financial status audit techniques.*

*Sec. 3413. Software trade secrets protection.*

*Sec. 3414. Threat of audit prohibited to coerce tip reporting alternative commitment agreements.*

*Sec. 3415. Taxpayers allowed motion to quash all third-party summonses.*

*Sec. 3416. Service of summonses to third-party recordkeepers permitted by mail.*

*Sec. 3417. Prohibition on IRS contact of third parties without prior notice.*

*PART III—COLLECTION ACTIVITIES*

*SUBPART A—APPROVAL PROCESS*

*Sec. 3421. Approval process for liens, levies, and seizures.*

## SUBPART B—LIENS AND LEVIES

- Sec. 3431. Modifications to certain levy exemption amounts.*
- Sec. 3432. Release of levy upon agreement that amount is uncollectible.*
- Sec. 3433. Levy prohibited during pendency of refund proceedings.*
- Sec. 3434. Approval required for jeopardy and termination assessments and jeopardy levies.*
- Sec. 3435. Increase in amount of certain property on which lien not valid.*
- Sec. 3436. Waiver of early withdrawal tax for IRS levies on employer-sponsored retirement plans or IRAs.*

## SUBPART C—SEIZURES

- Sec. 3441. Prohibition of sales of seized property at less than minimum bid.*
- Sec. 3442. Accounting of sales of seized property.*
- Sec. 3443. Uniform asset disposal mechanism.*
- Sec. 3444. Codification of IRS administrative procedures for seizure of taxpayer's property.*
- Sec. 3445. Procedures for seizure of residences and businesses.*

PART IV—PROVISIONS RELATING TO EXAMINATION AND COLLECTION  
ACTIVITIES

- Sec. 3461. Procedures relating to extensions of statute of limitations by agreement.*
- Sec. 3462. Offers-in-compromise.*
- Sec. 3463. Notice of deficiency to specify deadlines for filing Tax Court petition.*
- Sec. 3464. Refund or credit of overpayments before final determination.*
- Sec. 3465. IRS procedures relating to appeals of examinations and collections.*
- Sec. 3466. Application of certain fair debt collection procedures.*
- Sec. 3467. Guaranteed availability of installment agreements.*
- Sec. 3468. Prohibition on requests to taxpayers to give up rights to bring actions.*

## Subtitle F—Disclosures to Taxpayers

- Sec. 3501. Explanation of joint and several liability.*
- Sec. 3502. Explanation of taxpayers' rights in interviews with the Internal Revenue Service.*
- Sec. 3503. Disclosure of criteria for examination selection.*
- Sec. 3504. Explanations of appeals and collection process.*
- Sec. 3505. Explanation of reason for refund denial.*
- Sec. 3506. Statements regarding installment agreements.*
- Sec. 3507. Notification of change in tax matters partner.*
- Sec. 3508. Disclosure to taxpayers.*

## Subtitle G—Low Income Taxpayer Clinics

- Sec. 3601. Low income taxpayer clinics.*

## Subtitle H—Other Matters

- Sec. 3701. Cataloging complaints.*
- Sec. 3702. Archive of records of Internal Revenue Service.*
- Sec. 3703. Payment of taxes.*
- Sec. 3704. Clarification of authority of Secretary relating to the making of elections.*
- Sec. 3705. IRS employee contacts.*
- Sec. 3706. Use of pseudonyms by IRS employees.*

- Sec. 3707. Conferences of right in the National Office of IRS.*
- Sec. 3708. Illegal tax protester designation.*
- Sec. 3709. Provision of confidential information to Congress by whistleblowers.*
- Sec. 3710. Listing of local IRS telephone numbers and addresses.*
- Sec. 3711. Identification of return preparers.*
- Sec. 3712. Offset of past-due, legally enforceable State income tax obligations against overpayments.*
- Sec. 3713. Treatment of IRS notices on foreign tax provisions.*
- Sec. 3714. Study of payments made for detection of underpayments and fraud.*
- Sec. 3715. Combined employment tax reporting demonstration project.*
- Sec. 3716. Reporting requirements in connection with education tax credit.*

#### *Subtitle I—Studies*

- Sec. 3801. Administration of penalties and interest.*
- Sec. 3802. Confidentiality of tax return information.*
- Sec. 3803. Study of transfer pricing enforcement.*
- Sec. 3804. Willful noncompliance with internal revenue laws by taxpayers.*

### *TITLE IV—CONGRESSIONAL ACCOUNTABILITY FOR THE INTERNAL REVENUE SERVICE*

- Sec. 4001. Century date change.*
- Sec. 4002. Tax law complexity analysis.*

#### *TITLE V—REVENUE PROVISIONS*

- Sec. 5001. Clarification of deduction for deferred compensation.*
- Sec. 5002. Modification to foreign tax credit carryback and carryover periods.*
- Sec. 5003. Clarification and expansion of mathematical error assessment procedures.*
- Sec. 5004. Termination of exception for certain real estate investment trusts from the treatment of stapled entities.*
- Sec. 5005. Certain customer receivables ineligible for mark-to-market treatment.*
- Sec. 5006. Inclusion of rotavirus gastroenteritis to list of taxable vaccines.*
- Sec. 5007. Clarification of definition of specified liability loss.*
- Sec. 5008. Modification of AGI limit for conversions to roth IRAs.*
- Sec. 5009. Extension of Internal Revenue Service user fees.*

#### *TITLE VI—TECHNICAL CORRECTIONS*

- Sec. 6001. Short title.*
- Sec. 6002. Definitions.*
- Sec. 6003. Amendments related to title I of 1997 Act.*
- Sec. 6004. Amendments related to title II of 1997 Act.*
- Sec. 6005. Amendments related to title III of 1997 Act.*
- Sec. 6006. Amendment related to title IV of 1997 Act.*
- Sec. 6007. Amendments related to title V of 1997 Act.*
- Sec. 6008. Amendments related to title VII of 1997 Act.*
- Sec. 6009. Amendments related to title IX of 1997 Act.*
- Sec. 6010. Amendments related to title X of 1997 Act.*
- Sec. 6011. Amendments related to title XI of 1997 Act.*
- Sec. 6012. Amendments related to title XII of 1997 Act.*
- Sec. 6013. Amendments related to title XIII of 1997 Act.*
- Sec. 6014. Amendments related to title XIV of 1997 Act.*
- Sec. 6015. Amendments related to title XV of 1997 Act.*
- Sec. 6016. Amendments related to title XVI of 1997 Act.*

*Sec. 6017. Amendments related to Small Business Job Protection Act of 1996.*  
*Sec. 6018. Amendments related to Taxpayer Bill of Rights 2.*  
*Sec. 6019. Amendment related to Omnibus Budget Reconciliation Act of 1993.*  
*Sec. 6020. Amendment related to Revenue Reconciliation Act of 1990.*  
*Sec. 6021. Amendment related to Tax Reform Act of 1986.*  
*Sec. 6022. Miscellaneous clerical and deadwood changes.*  
*Sec. 6023. Effective date.*

1 ***TITLE I—REORGANIZATION OF***  
 2 ***STRUCTURE AND MANAGE-***  
 3 ***MENT OF THE INTERNAL REV-***  
 4 ***ENUE SERVICE***

5 ***Subtitle A—Reorganization of the***  
 6 ***Internal Revenue Service***

7 ***SEC. 1001. REORGANIZATION OF THE INTERNAL REVENUE***  
 8 ***SERVICE.***

9 *(a) IN GENERAL.—The Commissioner of Internal Rev-*  
 10 *enue shall develop and implement a plan to reorganize the*  
 11 *Internal Revenue Service. The plan shall—*

12 *(1) supersede any organization or reorganization*  
 13 *of the Internal Revenue Service based on any statute*  
 14 *or reorganization plan applicable on the effective date*  
 15 *of this section;*

16 *(2) eliminate or substantially modify the exist-*  
 17 *ing organization of the Internal Revenue Service*  
 18 *which is based on a national, regional, and district*  
 19 *structure;*

20 *(3) establish organizational units serving par-*  
 21 *ticular groups of taxpayers with similar needs; and*

1           (4) *ensure an independent appeals function*  
2           *within the Internal Revenue Service, including the*  
3           *prohibition in the plan of ex parte communications*  
4           *between appeals officers and other Internal Revenue*  
5           *Service employees to the extent that such communica-*  
6           *tions appear to compromise the independence of the*  
7           *appeals officers.*

8           (b) *SAVINGS PROVISIONS.—*

9           (1) *PRESERVATION OF SPECIFIC TAX RIGHTS*  
10          *AND REMEDIES.—Nothing in the plan developed and*  
11          *implemented under subsection (a) shall be considered*  
12          *to impair any right or remedy, including trial by*  
13          *jury, to recover any internal revenue tax alleged to*  
14          *have been erroneously or illegally assessed or collected,*  
15          *or any penalty claimed to have been collected without*  
16          *authority, or any sum alleged to have been excessive*  
17          *or in any manner wrongfully collected under the in-*  
18          *ternal revenue laws. For the purpose of any action to*  
19          *recover any such tax, penalty, or sum, all statutes,*  
20          *rules, and regulations referring to the collector of in-*  
21          *ternal revenue, the principal officer for the internal*  
22          *revenue district, or the Secretary, shall be deemed to*  
23          *refer to the officer whose act or acts referred to in the*  
24          *preceding sentence gave rise to such action. The venue*

1        *of any such action shall be the same as under existing*  
2        *law.*

3            (2) *CONTINUING EFFECT OF LEGAL DOCU-*  
4        *MENTS.—All orders, determinations, rules, regula-*  
5        *tions, permits, agreements, grants, contracts, certifi-*  
6        *cates, licenses, registrations, privileges, and other ad-*  
7        *ministrative actions—*

8            (A) *which have been issued, made, granted,*  
9            *or allowed to become effective by the President,*  
10          *any Federal agency or official thereof, or by a*  
11          *court of competent jurisdiction, in the perform-*  
12          *ance of any function transferred or affected by*  
13          *the reorganization of the Internal Revenue Serv-*  
14          *ice or any other administrative unit of the De-*  
15          *partment of the Treasury under this section, and*

16          (B) *which are in effect at the time this sec-*  
17          *tion takes effect, or were final before the effective*  
18          *date of this section and are to become effective on*  
19          *or after the effective date of this section,*

20        *shall continue in effect according to their terms until*  
21        *modified, terminated, superseded, set aside, or revoked*  
22        *in accordance with law by the President, the Sec-*  
23        *retary of the Treasury, the Commissioner of Internal*  
24        *Revenue, or other authorized official, a court of com-*  
25        *petent jurisdiction, or by operation of law.*



1           (3) *PROCEEDINGS NOT AFFECTED.*—*The provi-*  
2           *sions of this section shall not affect any proceedings,*  
3           *including notices of proposed rulemaking, or any ap-*  
4           *plication for any license, permit, certificate, or finan-*  
5           *cial assistance pending before the Department of the*  
6           *Treasury (or any administrative unit of the Depart-*  
7           *ment, including the Internal Revenue Service) at the*  
8           *time this section takes effect, with respect to functions*  
9           *transferred or affected by the reorganization under*  
10          *this section but such proceedings and applications*  
11          *shall continue. Orders shall be issued in such proceed-*  
12          *ings, appeals shall be taken therefrom, and payments*  
13          *shall be made pursuant to such orders, as if this sec-*  
14          *tion had not been enacted, and orders issued in any*  
15          *such proceedings shall continue in effect until modi-*  
16          *fied, terminated, superseded, or revoked by a duly au-*  
17          *thorized official, by a court of competent jurisdiction,*  
18          *or by operation of law. Nothing in this paragraph*  
19          *shall be deemed to prohibit the discontinuance or*  
20          *modification of any such proceeding under the same*  
21          *terms and conditions and to the same extent that such*  
22          *proceeding could have been discontinued or modified*  
23          *if this section had not been enacted.*

24          (4) *SUITS NOT AFFECTED.*—*The provisions of*  
25          *this section shall not affect suits commenced before the*

1 *effective date of this section, and in all such suits,*  
2 *proceedings shall be had, appeals taken, and judg-*  
3 *ments rendered in the same manner and with the*  
4 *same effect as if this section had not been enacted.*

5 (5) *NONABATEMENT OF ACTIONS.*—No suit, ac-  
6 tion, or other proceeding commenced by or against the  
7 Department of the Treasury (or any administrative  
8 unit of the Department, including the Internal Reve-  
9 nue Service), or by or against any individual in the  
10 official capacity of such individual as an officer of  
11 the Department of the Treasury, shall abate by reason  
12 of the enactment of this section.

13 (6) *ADMINISTRATIVE ACTIONS RELATING TO PRO-*  
14 *MULGATION OF REGULATIONS.*—Any administrative  
15 action relating to the preparation or promulgation of  
16 a regulation by the Department of the Treasury (or  
17 any administrative unit of the Department, including  
18 the Internal Revenue Service) relating to a function  
19 transferred or affected by the reorganization under  
20 this section may be continued by the Department of  
21 the Treasury through any appropriate administrative  
22 unit of the Department, including the Internal Reve-  
23 nue Service with the same effect as if this section had  
24 not been enacted.

1 **SEC. 1002. IRS MISSION TO FOCUS ON TAXPAYERS' NEEDS.**

2       *The Internal Revenue Service shall review and restate*  
 3 *its mission to place a greater emphasis on serving the public*  
 4 *and meeting taxpayers' needs.*

5 **Subtitle B—Executive Branch Gov-**  
 6 **ernance and Senior Manage-**  
 7 **ment**

8 **SEC. 1101. INTERNAL REVENUE SERVICE OVERSIGHT**  
 9 **BOARD.**

10       *(a) IN GENERAL.—Section 7802 (relating to the Com-*  
 11 *missioner of Internal Revenue) is amended to read as fol-*  
 12 *lows:*

13 **“SEC. 7802. INTERNAL REVENUE SERVICE OVERSIGHT**  
 14 **BOARD.**

15       *“(a) ESTABLISHMENT.—There is established within*  
 16 *the Department of the Treasury the Internal Revenue Serv-*  
 17 *ice Oversight Board (hereafter in this subchapter referred*  
 18 *to as the ‘Oversight Board’).*

19       *“(b) MEMBERSHIP.—*

20               *“(1) COMPOSITION.—The Oversight Board shall*  
 21 *be composed of 9 members, as follows:*

22                       *“(A) 6 members shall be individuals who*  
 23 *are not otherwise Federal officers or employees*  
 24 *and who are appointed by the President, by and*  
 25 *with the advice and consent of the Senate.*

1           “(B) 1 member shall be the Secretary of the  
2           Treasury or, if the Secretary so designates, the  
3           Deputy Secretary of the Treasury.

4           “(C) 1 member shall be the Commissioner of  
5           Internal Revenue.

6           “(D) 1 member shall be an individual who  
7           is a representative of an organization that rep-  
8           resents a substantial number of Internal Revenue  
9           Service employees and who is appointed by the  
10          President, by and with the advice and consent of  
11          the Senate.

12          “(2) QUALIFICATIONS AND TERMS.—

13               “(A) QUALIFICATIONS.—Members of the  
14               Oversight Board described in paragraph (1)(A)  
15               shall be appointed without regard to political af-  
16               filiation and solely on the basis of their profes-  
17               sional experience and expertise in 1 or more of  
18               the following areas:

19                       “(i) Management of large service orga-  
20                       nizations.

21                       “(ii) Customer service.

22                       “(iii) Federal tax laws, including tax  
23                       administration and compliance.

24                       “(iv) Information technology.

25                       “(v) Organization development.

1                   “(vi) *The needs and concerns of tax-*  
2                   *payers.*

3                   “(vii) *The needs and concerns of small*  
4                   *businesses.*

5                   *In the aggregate, the members of the Oversight*  
6                   *Board described in paragraph (1)(A) should col-*  
7                   *lectively bring to bear expertise in all of the*  
8                   *areas described in the preceding sentence.*

9                   “(B) *TERMS.—Each member who is de-*  
10                  *scribed in subparagraph (A) or (D) of paragraph*  
11                  *(1) shall be appointed for a term of 5 years, ex-*  
12                  *cept that of the members first appointed under*  
13                  *paragraph (1)(A)—*

14                  “(i) *2 members shall be appointed for*  
15                  *a term of 2 years,*

16                  “(ii) *2 members shall be appointed for*  
17                  *a term of 4 years, and*

18                  “(iii) *2 members shall be appointed for*  
19                  *a term of 5 years.*

20                  “(C) *REAPPOINTMENT.—An individual who*  
21                  *is described in paragraph (1)(A) may be ap-*  
22                  *pointed to no more than two 5-year terms on the*  
23                  *Oversight Board.*

24                  “(D) *VACANCY.—Any vacancy on the Over-*  
25                  *sight Board shall be filled in the same manner*

1       *as the original appointment. Any member ap-*  
 2       *pointed to fill a vacancy occurring before the ex-*  
 3       *piration of the term for which the member's*  
 4       *predecessor was appointed shall be appointed for*  
 5       *the remainder of that term.*

6       “(3) *ETHICAL CONSIDERATIONS.*—

7               “(A) *FINANCIAL DISCLOSURE.*—

8                       “(i) *IN GENERAL.*—*During the entire*  
 9                       *period that an individual appointed under*  
 10                      *subparagraph (A) or (D) of paragraph (1)*  
 11                      *is a member of the Oversight Board, such*  
 12                      *individual shall be treated as serving as an*  
 13                      *officer or employee referred to in section*  
 14                      *101(f) of the Ethics in Government Act of*  
 15                      *1978 for purposes of title I of such Act, ex-*  
 16                      *cept that section 101(d) of such Act shall*  
 17                      *apply without regard to the number of days*  
 18                      *of service in the position.*

19               “(ii) *REPRESENTED ORGANIZATION.*—

20                      *The organization represented by the indi-*  
 21                      *vidual appointed under paragraph (1)(D)*  
 22                      *shall file an annual financial report with*  
 23                      *the Committee on Finance in the Senate*  
 24                      *and the Committee on Ways and Means in*  
 25                      *the House of Representatives. Such report*

1           *shall include information regarding com-*  
2           *ensation paid to the individual so ap-*  
3           *pointed, other individuals employed by the*  
4           *organization, and membership dues collected*  
5           *by the organization.*

6           “(B) *RESTRICTIONS ON POST-EMPLOY-*  
7           *MENT.—For purposes of section 207(c) of title*  
8           *18, United States Code, except as provided in*  
9           *subparagraph (D)(i)(II), an individual ap-*  
10          *pointed under subparagraph (A) or (D) of para-*  
11          *graph (1) shall be treated as an employee re-*  
12          *ferred to in section 207(c)(2)(A)(i) of such title*  
13          *during the entire period the individual is a*  
14          *member of the Board, except that subsections*  
15          *(c)(2)(B) and (f) of section 207 of such title shall*  
16          *not apply.*

17          “(C) *PRIVATE MEMBERS WHO ARE SPECIAL*  
18          *GOVERNMENT EMPLOYEES.—If an individual ap-*  
19          *pointed under paragraph (1)(A) is a special*  
20          *Government employee, the following additional*  
21          *rules apply for purposes of chapter 11 of title 18,*  
22          *United States Code:*

23                 “(i) *RESTRICTION ON REPRESENTA-*  
24                 *TION.—In addition to any restriction under*  
25                 *section 205(c) of title 18, United States*

1           *Code, except as provided in subsections (d)*  
2           *through (i) of section 205 of such title, such*  
3           *individual (except in the proper discharge*  
4           *of official duties) shall not, with or without*  
5           *compensation, represent anyone to or before*  
6           *any officer or employee of—*

7                     *“(I) the Oversight Board or the*  
8                     *Internal Revenue Service on any mat-*  
9                     *ter,*

10                    *“(II) the Department of the Treas-*  
11                    *ury on any matter involving the inter-*  
12                    *nal revenue laws or involving the man-*  
13                    *agement or operations of the Internal*  
14                    *Revenue Service, or*

15                    *“(III) the Department of Justice*  
16                    *with respect to litigation involving a*  
17                    *matter described in subclause (I) or*  
18                    *(II).*

19                    *“(ii) COMPENSATION FOR SERVICES*  
20                    *PROVIDED BY ANOTHER.—For purposes of*  
21                    *section 203 of such title—*

22                    *“(I) such individual shall not be*  
23                    *subject to the restrictions of subsection*  
24                    *(a)(1) thereof for sharing in compensa-*  
25                    *tion earned by another for representa-*



1            *tions on matters covered by such sec-*  
2            *tion, and*

3            *“(II) a person shall not be subject*  
4            *to the restrictions of subsection (a)(2)*  
5            *thereof for sharing such compensation*  
6            *with such individual.*

7            *“(D) EXEMPTIONS FOR MEMBER FROM EM-*  
8            *PLOYEE ORGANIZATION.—*

9            *“(i) EXEMPTION FROM CRIMINAL CON-*  
10           *FLICT LAWS.—An individual appointed*  
11           *under paragraph (1)(D) shall not be subject*  
12           *to—*

13           *“(I) section 203 or 205 of title 18,*  
14           *United States Code, for acting as an*  
15           *agent or attorney for (or otherwise rep-*  
16           *resenting), with or without compensa-*  
17           *tion, the organization described in*  
18           *paragraph (1)(D),*

19           *“(II) section 207 of such title for*  
20           *making, with the intent to influence,*  
21           *any communication or appearance be-*  
22           *fore an officer or employee of the*  
23           *United States on behalf of the organi-*  
24           *zation which such individual rep-*

1                   resented while a member of the Board,  
2                   or

3                   “(III) section 208 of such title for  
4                   personal and substantial participation  
5                   in a particular matter in which all fi-  
6                   nancial interests which would other-  
7                   wise prohibit the individual’s partici-  
8                   pation are interests of such organiza-  
9                   tion.

10                  “(ii) COMPENSATION.—Nothing in sec-  
11                  tion 203 of title 18, United States Code,  
12                  shall prohibit an organization represented  
13                  by the individual appointed under para-  
14                  graph (1)(D) from giving, promising, or of-  
15                  fering compensation to the individual for  
16                  acting as its agent or attorney or for other-  
17                  wise representing such organization.

18                  “(4) QUORUM.—5 members of the Oversight  
19                  Board shall constitute a quorum. A majority of mem-  
20                  bers present and voting shall be required for the Over-  
21                  sight Board to take action.

22                  “(5) REMOVAL.—

23                  “(A) IN GENERAL.—Any member of the  
24                  Oversight Board appointed under paragraph (1)

1           (A) or (D) may be removed at the will of the  
2           President.

3           “(B) SECRETARY AND COMMISSIONER.—An  
4           individual described in subparagraph (B) or (C)  
5           of paragraph (1) shall be removed upon termi-  
6           nation of service in the office described in such  
7           subparagraph.

8           “(6) CLAIMS.—

9           “(A) IN GENERAL.—Members of the Over-  
10          sight Board who are described in paragraph (1)  
11          (A) or (D) shall have no personal liability under  
12          Federal law with respect to any claim arising  
13          out of or resulting from an act or omission by  
14          such member within the scope of service as a  
15          member.

16          “(B) EFFECT ON OTHER LAW.—This para-  
17          graph shall not be construed—

18                 “(i) to affect any other immunities and  
19                 protections that may be available to such  
20                 member under applicable law with respect  
21                 to such transactions,

22                 “(ii) to affect any other right or rem-  
23                 edy against the United States under appli-  
24                 cable law, or

1                   “(iii) to limit or alter in any way the  
2                   immunities that are available under appli-  
3                   cable law for Federal officers and employees.

4                   “(c) *GENERAL RESPONSIBILITIES.*—

5                   “(1) *OVERSIGHT.*—

6                   “(A) *IN GENERAL.*—*The Oversight Board*  
7                   *shall oversee the Internal Revenue Service in its*  
8                   *administration, management, conduct, direction,*  
9                   *and supervision of the execution and application*  
10                  *of the internal revenue laws or related statutes*  
11                  *and tax conventions to which the United States*  
12                  *is a party.*

13                  “(B) *MISSION OF IRS.*—*As part of its over-*  
14                  *sight functions described in subparagraph (A),*  
15                  *the Oversight Board shall ensure that the organi-*  
16                  *zation and operation of the Internal Revenue*  
17                  *Service allows it to carry out its mission.*

18                  “(C) *CONFIDENTIALITY.*—*The Oversight*  
19                  *Board shall ensure that appropriate confiden-*  
20                  *tiality is maintained in the exercise of its duties.*

21                  “(2) *EXCEPTIONS.*—*The Oversight Board shall*  
22                  *have no responsibilities or authority with respect to—*

23                         “(A) *the development and formulation of*  
24                         *Federal tax policy relating to existing or pro-*

1        *posed internal revenue laws, related statutes, and*  
 2        *tax conventions,*

3                *“(B) specific law enforcement activities of*  
 4        *the Internal Revenue Service, including specific*  
 5        *compliance activities such as examinations, col-*  
 6        *lection activities, and criminal investigations,*

7                *“(C) specific procurement activities of the*  
 8        *Internal Revenue Service, or*

9                *“(D) except as provided in subsection*  
 10        *(d)(3), specific personnel actions.*

11        *“(d) SPECIFIC RESPONSIBILITIES.—The Oversight*  
 12        *Board shall have the following specific responsibilities:*

13                *“(1) STRATEGIC PLANS.—To review and approve*  
 14        *strategic plans of the Internal Revenue Service, in-*  
 15        *cluding the establishment of—*

16                *“(A) mission and objectives, and standards*  
 17        *of performance relative to either, and*

18                *“(B) annual and long-range strategic plans.*

19                *“(2) OPERATIONAL PLANS.—To review the oper-*  
 20        *ational functions of the Internal Revenue Service, in-*  
 21        *cluding—*

22                *“(A) plans for modernization of the tax sys-*  
 23        *tem,*

24                *“(B) plans for outsourcing or managed*  
 25        *competition, and*

1                   “(C) plans for training and education.

2                   “(3) MANAGEMENT.—To—

3                   “(A) recommend to the President candidates  
4                   for appointment as the Commissioner of Internal  
5                   Revenue and recommend to the President the re-  
6                   moval of the Commissioner,

7                   “(B) recommend to the Secretary of the  
8                   Treasury, after taking into consideration any  
9                   recommendations of the Commissioner, 3 can-  
10                  didates for appointment as the National Tax-  
11                  payer Advocate from individuals who have—

12                  “(i) a background in customer service  
13                  as well as tax law, and

14                  “(ii) experience in representing indi-  
15                  vidual taxpayers,

16                  “(C) recommend to the Secretary of the  
17                  Treasury the removal of the National Taxpayer  
18                  Advocate,

19                  “(D) review the Commissioner’s selection,  
20                  evaluation, and compensation of Internal Reve-  
21                  nue Service senior executives who have program  
22                  management responsibility over significant func-  
23                  tions of the Internal Revenue Service,

1           “(E) review and approve the Commis-  
 2           sioner’s plans for any major reorganization of  
 3           the Internal Revenue Service, and

4           “(F) review procedures of the Internal Reve-  
 5           nue Service relating to financial audits required  
 6           by law.

7           “(4) BUDGET.—To—

8           “(A) review and approve the budget request  
 9           of the Internal Revenue Service prepared by the  
 10          Commissioner,

11          “(B) submit such budget request to the Sec-  
 12          retary of the Treasury, and

13          “(C) ensure that the budget request supports  
 14          the annual and long-range strategic plans.

15          “(5) TAXPAYER PROTECTION.—To ensure the  
 16          proper treatment of taxpayers by the employees of the  
 17          Internal Revenue Service.

18          The Secretary shall submit the budget request referred to  
 19          in paragraph (4)(B) for any fiscal year to the President  
 20          who shall submit such request, without revision, to Congress  
 21          together with the President’s annual budget request for the  
 22          Internal Revenue Service for such fiscal year.

23          “(e) BOARD PERSONNEL MATTERS.—

24          “(1) COMPENSATION OF MEMBERS.—

1           “(A) *IN GENERAL.*—*Each member of the*  
2           *Oversight Board who is described in subsection*  
3           *(b)(1)(A) shall be compensated at a rate of*  
4           *\$30,000 per year. All other members shall serve*  
5           *without compensation for such service.*

6           “(B) *CHAIRPERSON.*—*In lieu of the amount*  
7           *specified in subparagraph (A), the Chairperson*  
8           *of the Oversight Board shall be compensated at*  
9           *a rate of \$50,000 per year.*

10          “(2) *TRAVEL EXPENSES.*—*The members of the*  
11          *Oversight Board shall be allowed travel expenses, in-*  
12          *cluding per diem in lieu of subsistence, at rates au-*  
13          *thorized for employees of agencies under subchapter I*  
14          *of chapter 57 of title 5, United States Code, while*  
15          *away from their homes or regular places of business*  
16          *for purposes of duties as a member of the Oversight*  
17          *Board.*

18          “(3) *STAFF.*—

19                 “(A) *IN GENERAL.*—*The Chairperson of the*  
20                 *Oversight Board may appoint and terminate*  
21                 *any personnel that may be necessary to enable*  
22                 *the Board to perform its duties.*

23                 “(B) *DETAIL OF GOVERNMENT EMPLOY-*  
24                 *EES.*—*Upon request of the Chairperson of the*  
25                 *Oversight Board, a Federal agency shall detail a*



1       *Federal Government employee to the Oversight*  
2       *Board without reimbursement. Such detail shall*  
3       *be without interruption or loss of civil service*  
4       *status or privilege.*

5       “(4) *PROCUREMENT OF TEMPORARY AND INTER-*  
6       *MITTENT SERVICES.—The Chairperson of the Over-*  
7       *sight Board may procure temporary and intermittent*  
8       *services under section 3109(b) of title 5, United States*  
9       *Code.*

10      “(f) *ADMINISTRATIVE MATTERS.—*

11           “(1) *CHAIR.—*

12                   “(A) *TERM.—The members of the Oversight*  
13                   *Board shall elect for a 2-year term a chairperson*  
14                   *from among the members appointed under sub-*  
15                   *section (b)(1)(A).*

16                   “(B) *POWERS.—Except as otherwise pro-*  
17                   *vided by a majority vote of the Oversight Board,*  
18                   *the powers of the Chairperson shall include—*

19                           “(i) *establishing committees,*

20                           “(ii) *setting meeting places and times,*

21                           “(iii) *establishing meeting agendas,*

22                           *and*

23                           “(iv) *developing rules for the conduct*  
24                           *of business.*

1           “(2) *MEETINGS.*—*The Oversight Board shall*  
2           *meet at least quarterly and at such other times as the*  
3           *Chairperson determines appropriate.*

4           “(3) *REPORTS.*—

5                   “(A) *ANNUAL.*—*The Oversight Board shall*  
6                   *each year report with respect to the conduct of*  
7                   *its responsibilities under this title to the Presi-*  
8                   *dent, the Committees on Ways and Means, Gov-*  
9                   *ernment Reform and Oversight, and Appropria-*  
10                  *tions of the House of Representatives and the*  
11                  *Committees on Finance, Governmental Affairs,*  
12                  *and Appropriations of the Senate.*

13                  “(B) *ADDITIONAL REPORT.*—*Upon a deter-*  
14                  *mination by the Oversight Board under sub-*  
15                  *section (c)(1)(B) that the organization and oper-*  
16                  *ation of the Internal Revenue Service are not al-*  
17                  *lowing it to carry out its mission, the Oversight*  
18                  *Board shall report such determination to the*  
19                  *Committee on Ways and Means of the House of*  
20                  *Representatives, and the Committee on Finance*  
21                  *of the Senate.*

22                  “(g) *TERMINATION OF BOARD.*—*The Internal Revenue*  
23                  *Service Oversight Board established under subsection (a)*  
24                  *shall terminate on September 30, 2008.”.*

1       **(b) RESTRICTION ON DISCLOSURE OF RETURN INFOR-**  
 2 **MATION TO OVERSIGHT BOARD MEMBERS.**—Section  
 3 6103(h) (relating to disclosure to certain Federal officers  
 4 and employees for purposes of tax administration, etc.) is  
 5 amended by adding at the end the following new paragraph:

6           “(5) **INTERNAL REVENUE SERVICE OVERSIGHT**  
 7 **BOARD.**—

8           “(A) **IN GENERAL.**—Notwithstanding para-  
 9 graph (1), and except as provided in subpara-  
 10 graph (B), no return or return information may  
 11 be disclosed to any member of the Oversight  
 12 Board described in subparagraph (A) or (D) of  
 13 section 7802(b)(1) or to any employee or detailee  
 14 of such Board by reason of their service with the  
 15 Board. Any request for information not per-  
 16 mitted to be disclosed under the preceding sen-  
 17 tence, and any contact relating to a specific tax-  
 18 payer, made by any such individual to an officer  
 19 or employee of the Internal Revenue Service shall  
 20 be reported by such officer or employee to the  
 21 Secretary, the Treasury Inspector General for  
 22 Tax Administration, and the Joint Committee  
 23 on Taxation.

24           “(B) **EXCEPTION FOR REPORTS TO THE**  
 25 **BOARD.**—If—

1                   “(i) the Commissioner or the Treasury  
 2                   Inspector General for Tax Administration  
 3                   prepares any report or other matter for the  
 4                   Oversight Board in order to assist the  
 5                   Board in carrying out its duties, and

6                   “(ii) the Commissioner or such Inspec-  
 7                   tor General determines it is necessary to in-  
 8                   clude any return or return information in  
 9                   such report or other matter to enable the  
 10                  Board to carry out such duties,  
 11                  such return or return information (other than  
 12                  information regarding taxpayer identity) may  
 13                  be disclosed to members, employees, or detailees  
 14                  of the Board solely for the purpose of carrying  
 15                  out such duties.”.

16               (c) CONFORMING AMENDMENTS.—

17               (1) Section 4946(c) (relating to definitions and  
 18               special rules for chapter 42) is amended by striking  
 19               “or” at the end of paragraph (5), by striking the pe-  
 20               riod at the end of paragraph (6) and inserting “, or”,  
 21               and by adding at the end the following new para-  
 22               graph:

23               “(7) a member of the Internal Revenue Service  
 24               Oversight Board.”.

(2) *The table of sections for subchapter A of chapter 80 is amended by striking the item relating to section 7802 and inserting the following new item:*

*“Sec. 7802. Internal Revenue Service Oversight Board.”.*

(d) *EFFECTIVE DATE.—*

(1) *IN GENERAL.—The amendments made by this section shall take effect on the date of the enactment of this Act.*

(2) *INITIAL NOMINATIONS TO INTERNAL REVENUE SERVICE OVERSIGHT BOARD.—The President shall submit the initial nominations under section 7802 of the Internal Revenue Code of 1986, as added by this section, to the Senate not later than 6 months after the date of the enactment of this Act.*

(3) *EFFECT ON ACTIONS PRIOR TO APPOINTMENT OF OVERSIGHT BOARD.—Nothing in this section shall be construed to invalidate the actions and authority of the Internal Revenue Service prior to the appointment of the members of the Internal Revenue Service Oversight Board.*

(4) *SPECIAL RULE FOR REORGANIZATION PLAN.—The authority of the Internal Revenue Service Oversight Board under section 7802(d)(3)(E) of such Code (as so added) to approve major reorganization plans shall not apply to the reorganization plan under section 1001 of this Act.*

1 **SEC. 1102. COMMISSIONER OF INTERNAL REVENUE; OTHER**  
 2 **OFFICIALS.**

3 (a) *IN GENERAL.*—Section 7803 (relating to other per-  
 4 sonnel) is amended to read as follows:

5 **“SEC. 7803. COMMISSIONER OF INTERNAL REVENUE; OTHER**  
 6 **OFFICIALS.**

7 “(a) *COMMISSIONER OF INTERNAL REVENUE.*—

8 “(1) *APPOINTMENT.*—

9 “(A) *IN GENERAL.*—There shall be in the  
 10 Department of the Treasury a Commissioner of  
 11 Internal Revenue who shall be appointed by the  
 12 President, by and with the advice and consent of  
 13 the Senate, to a 5-year term. Such appointment  
 14 shall be made from individuals who, among  
 15 other qualifications, have a demonstrated ability  
 16 in management.

17 “(B) *VACANCY.*—Any individual appointed  
 18 to fill a vacancy in the position of Commissioner  
 19 occurring before the expiration of the term for  
 20 which such individual’s predecessor was ap-  
 21 pointed shall be appointed only for the remain-  
 22 der of that term.

23 “(C) *REMOVAL.*—The Commissioner may be  
 24 removed at the will of the President.

25 “(D) *REAPPOINTMENT.*—The Commissioner  
 26 may be appointed to more than one 5-year term.

1           “(2) *DUTIES.*—*The Commissioner shall have*  
2           *such duties and powers as the Secretary may pre-*  
3           *scribe, including the power to—*

4                     “(A) *administer, manage, conduct, direct,*  
5                     *and supervise the execution and application of*  
6                     *the internal revenue laws or related statutes and*  
7                     *tax conventions to which the United States is a*  
8                     *party,*

9                     “(B) *recommend to the President a can-*  
10                    *didate for appointment as Chief Counsel for the*  
11                    *Internal Revenue Service when a vacancy occurs,*  
12                    *and recommend to the President the removal of*  
13                    *such Chief Counsel, and*

14                    “(C) *recommend to the Oversight Board*  
15                    *candidates for appointment as National Tax-*  
16                    *payer Advocate when a vacancy occurs.*

17           *If the Secretary determines not to delegate a power*  
18           *specified in subparagraph (A), (B), or (C), such deter-*  
19           *mination may not take effect until 30 days after the*  
20           *Secretary notifies the Committees on Ways and*  
21           *Means, Government Reform and Oversight, and Ap-*  
22           *propriations of the House of Representatives and the*  
23           *Committees on Finance, Governmental Affairs, and*  
24           *Appropriations of the Senate.*

1           “(3) *CONSULTATION WITH BOARD.*—*The Com-*  
 2           *missioner shall consult with the Oversight Board on*  
 3           *all matters set forth in paragraphs (2) and (3) (other*  
 4           *than paragraph (3)(A)) of section 7802(d).*

5           “(b) *CHIEF COUNSEL FOR THE INTERNAL REVENUE*  
 6           *SERVICE.*—

7           “(1) *APPOINTMENT.*—*There shall be in the De-*  
 8           *partment of the Treasury a Chief Counsel for the In-*  
 9           *ternal Revenue Service who shall be appointed by the*  
 10          *President, by and with the consent of the Senate.*

11          “(2) *DUTIES.*—*The Chief Counsel shall be the*  
 12          *chief law officer for the Internal Revenue Service and*  
 13          *shall perform such duties as may be prescribed by the*  
 14          *Secretary, including the duty—*

15                 “(A) *to be legal advisor to the Commissioner*  
 16                 *and the Commissioner’s officers and employees,*

17                 “(B) *to furnish legal opinions for the prepa-*  
 18                 *ration and review of rulings and memoranda of*  
 19                 *technical advice,*

20                 “(C) *to prepare, review, and assist in the*  
 21                 *preparation of proposed legislation, treaties, reg-*  
 22                 *ulations, and Executive Orders relating to laws*  
 23                 *which affect the Internal Revenue Service,*

24                 “(D) *to represent the Commissioner in cases*  
 25                 *before the Tax Court, and*



1           “(E) to determine which civil actions should  
 2           be litigated under the laws relating to the Inter-  
 3           nal Revenue Service and prepare recommenda-  
 4           tions for the Department of Justice regarding the  
 5           commencement of such actions.

6           If the Secretary determines not to delegate a power  
 7           specified in subparagraph (A), (B), (C), (D), or (E),  
 8           such determination may not take effect until 30 days  
 9           after the Secretary notifies the Committees on Ways  
 10          and Means, Government Reform and Oversight, and  
 11          Appropriations of the House of Representatives and  
 12          the Committees on Finance, Governmental Affairs,  
 13          and Appropriations of the Senate.

14          “(3) REPORT TO COMMISSIONER.—The Chief  
 15          Counsel shall report directly to the Commissioner of  
 16          Internal Revenue.

17          “(c) OFFICE OF THE TAXPAYER ADVOCATE.—

18               “(1) ESTABLISHMENT.—

19                   “(A) IN GENERAL.—There is established in  
 20                   the Internal Revenue Service an office to be  
 21                   known as the ‘Office of the Taxpayer Advocate’.

22                   “(B) NATIONAL TAXPAYER ADVOCATE.—

23                           “(i) IN GENERAL.—The Office of the  
 24                           Taxpayer Advocate shall be under the su-  
 25                           pervision and direction of an official to be

1           *known as the ‘National Taxpayer Advocate’.*  
2           *The National Taxpayer Advocate shall re-*  
3           *port directly to the Commissioner of Inter-*  
4           *nal Revenue and shall be entitled to com-*  
5           *ensation at the same rate as the highest*  
6           *level official reporting directly to the Com-*  
7           *missioner of Internal Revenue.*

8                     “(ii) *APPOINTMENT.—The National*  
9           *Taxpayer Advocate shall be appointed by*  
10          *the Secretary of the Treasury from among*  
11          *the 3 individuals nominated by the Over-*  
12          *sight Board under section 7802(d)(3).*

13                    “(iii) *RESTRICTION ON EMPLOY-*  
14          *MENT.—An individual may be appointed as*  
15          *the National Taxpayer Advocate only if*  
16          *such individual was not an officer or em-*  
17          *ployee of the Internal Revenue Service dur-*  
18          *ing the 2-year period ending with such ap-*  
19          *pointment and such individual agrees not*  
20          *to accept any employment with the Internal*  
21          *Revenue Service for at least 5 years after*  
22          *ceasing to be the National Taxpayer Advoca-*  
23          *cate.*

24                   “(2) *FUNCTIONS OF OFFICE.—*

1           “(A) *IN GENERAL.*—*It shall be the function*  
2           *of the Office of Taxpayer Advocate to—*

3                   “(i) *assist taxpayers in resolving prob-*  
4                   *lems with the Internal Revenue Service,*

5                   “(ii) *identify areas in which taxpayers*  
6                   *have problems in dealings with the Internal*  
7                   *Revenue Service,*

8                   “(iii) *to the extent possible, propose*  
9                   *changes in the administrative practices of*  
10                   *the Internal Revenue Service to mitigate*  
11                   *problems identified under clause (ii), and*

12                   “(iv) *identify potential legislative*  
13                   *changes which may be appropriate to miti-*  
14                   *gate such problems.*

15           “(B) *ANNUAL REPORTS.*—

16                   “(i) *OBJECTIVES.*—*Not later than*  
17                   *June 30 of each calendar year, the National*  
18                   *Taxpayer Advocate shall report to the Com-*  
19                   *mittee on Ways and Means of the House of*  
20                   *Representatives and the Committee on Fi-*  
21                   *nance of the Senate on the objectives of the*  
22                   *Office of the Taxpayer Advocate for the fis-*  
23                   *cal year beginning in such calendar year.*  
24                   *Any such report shall contain full and sub-*

1            *stantive analysis, in addition to statistical*  
2            *information.*

3            “(ii) *ACTIVITIES.*—*Not later than De-*  
4            *cember 31 of each calendar year, the Na-*  
5            *tional Taxpayer Advocate shall report to the*  
6            *Committee on Ways and Means of the*  
7            *House of Representatives and the Committee*  
8            *on Finance of the Senate on the activities of*  
9            *the Office of the Taxpayer Advocate during*  
10           *the fiscal year ending during such calendar*  
11           *year. Any such report shall contain full and*  
12           *substantive analysis, in addition to statis-*  
13           *tical information, and shall—*

14           “(I) *identify the initiatives the*  
15           *Office of the Taxpayer Advocate has*  
16           *taken on improving taxpayer services*  
17           *and Internal Revenue Service respon-*  
18           *siveness,*

19           “(II) *contain recommendations*  
20           *received from individuals with the au-*  
21           *thority to issue Taxpayer Assistance*  
22           *Orders under section 7811,*

23           “(III) *contain a summary of at*  
24           *least 20 of the most serious problems*  
25           *encountered by taxpayers, including a*

1 *description of the nature of such prob-*  
2 *lems,*

3 *“(IV) contain an inventory of the*  
4 *items described in subclauses (I), (II),*  
5 *and (III) for which action has been*  
6 *taken and the result of such action,*

7 *“(V) contain an inventory of the*  
8 *items described in subclauses (I), (II),*  
9 *and (III) for which action remains to*  
10 *be completed and the period during*  
11 *which each item has remained on such*  
12 *inventory,*

13 *“(VI) contain an inventory of the*  
14 *items described in subclauses (I), (II),*  
15 *and (III) for which no action has been*  
16 *taken, the period during which each*  
17 *item has remained on such inventory,*  
18 *the reasons for the inaction, and iden-*  
19 *tify any Internal Revenue Service offi-*  
20 *cial who is responsible for such inac-*  
21 *tion,*

22 *“(VII) identify any Taxpayer As-*  
23 *sistance Order which was not honored*  
24 *by the Internal Revenue Service in a*

1 *timely manner, as specified under sec-*  
2 *tion 7811(b),*

3 *“(VIII) contain recommendations*  
4 *for such administrative and legislative*  
5 *action as may be appropriate to re-*  
6 *solve problems encountered by tax-*  
7 *payers,*

8 *“(IX) identify areas of the tax*  
9 *law that impose significant compliance*  
10 *burdens on taxpayers or the Internal*  
11 *Revenue Service, including specific rec-*  
12 *ommendations for remedying these*  
13 *problems,*

14 *“(X) identify the 10 most litigated*  
15 *issues for each category of taxpayers,*  
16 *including recommendations for miti-*  
17 *gating such disputes, and*

18 *“(XI) include such other informa-*  
19 *tion as the National Taxpayer Advo-*  
20 *cate may deem advisable.*

21 *“(iii) REPORT TO BE SUBMITTED DI-*  
22 *RECTLY.—Each report required under this*  
23 *subparagraph shall be provided directly to*  
24 *the committees described in clause (i) with-*  
25 *out any prior review or comment from the*

Commissioner, the Secretary of the Treasury, the Oversight Board, any other officer or employee of the Department of the Treasury, or the Office of Management and Budget.

“(iv) *COORDINATION WITH REPORT OF TREASURY INSPECTOR GENERAL FOR TAX ADMINISTRATION.*—*To the extent that information required to be reported under clause (ii) is also required to be reported under paragraph (1) or (2) of subsection (d) by the Treasury Inspector General for Tax Administration, the National Taxpayer Advocate shall not contain such information in the report submitted under such clause.*

“(C) *OTHER RESPONSIBILITIES.*—*The National Taxpayer Advocate shall—*

“(i) *monitor the coverage and geographic allocation of local offices of taxpayer advocates,*

“(ii) *develop guidance to be distributed to all Internal Revenue Service officers and employees outlining the criteria for referral of taxpayer inquiries to local offices of taxpayer advocates,*

1           “(iii) ensure that the local telephone  
2           number for each local office of the taxpayer  
3           advocate is published and available to tax-  
4           payers served by the office, and

5           “(iv) in conjunction with the Commis-  
6           sioner, develop career paths for local tax-  
7           payer advocates choosing to make a career  
8           in the Office of the Taxpayer Advocate.

9           “(D) PERSONNEL ACTIONS.—

10           “(i) IN GENERAL.—The National Tax-  
11           payer Advocate shall have the responsibility  
12           and authority to—

13           “(I) appoint at least 1 local tax-  
14           payer advocate for each State,

15           “(II) evaluate and take personnel  
16           actions (including dismissal) with re-  
17           spect to any employee of any local of-  
18           fice of a taxpayer advocate described in  
19           subclause (I), and

20           “(III) appoint a counsel in the  
21           Office of the Taxpayer Advocate to re-  
22           port directly to the National Taxpayer  
23           Advocate.

24           “(ii) CONSULTATION.—The National  
25           Taxpayer Advocate may consult with the



1           *appropriate supervisory personnel of the In-*  
2           *ternal Revenue Service in carrying out the*  
3           *National Taxpayer Advocate’s responsibil-*  
4           *ities under this subparagraph.*

5           “(3) *RESPONSIBILITIES OF COMMISSIONER.—The*  
6           *Commissioner shall establish procedures requiring a*  
7           *formal response to all recommendations submitted to*  
8           *the Commissioner by the National Taxpayer Advocate*  
9           *within 3 months after submission to the Commis-*  
10          *sioner.*

11          “(4) *OPERATION OF LOCAL OFFICES.—*

12               “(A) *IN GENERAL.—Each local taxpayer*  
13               *advocate—*

14                       “(i) *shall report to the National Tax-*  
15                       *payer Advocate,*

16                       “(ii) *may consult with the appropriate*  
17                       *supervisory personnel of the Internal Reve-*  
18                       *nue Service regarding the daily operation of*  
19                       *the local office of the taxpayer advocate,*

20                       “(iii) *shall, at the initial meeting with*  
21                       *any taxpayer seeking the assistance of a*  
22                       *local office of the taxpayer advocate, notify*  
23                       *such taxpayer that the office operates inde-*  
24                       *pendently of any other Internal Revenue*  
25                       *Service office and reports directly to Con-*

1                   gress through the National Taxpayer Advo-  
2                   cate, and

3                   “(iv) may, at the taxpayer advocate’s  
4                   discretion, not disclose to the Internal Reve-  
5                   nue Service contact with, or information  
6                   provided by, such taxpayer.

7                   “(B) MAINTENANCE OF INDEPENDENT COM-  
8                   MUNICATIONS.—Each local office of the taxpayer  
9                   advocate shall maintain a separate phone, fac-  
10                  simile, and other electronic communication ac-  
11                  cess, and a separate post office address.

12                  “(d) ADDITIONAL DUTIES OF THE TREASURY INSPEC-  
13                  TOR GENERAL FOR TAX ADMINISTRATION.—

14                  “(1) ANNUAL REPORTING.—The Treasury In-  
15                  specter General for Tax Administration shall include  
16                  in one of the semiannual reports under section 5 of  
17                  the Inspector General Act of 1978—

18                  “(A) an evaluation of the compliance of the  
19                  Internal Revenue Service with—

20                  “(i) restrictions under section 1204 of  
21                  the Internal Revenue Service Restructuring  
22                  and Reform Act of 1998 on the use of en-  
23                  forcement statistics to evaluate Internal  
24                  Revenue Service employees,

1                   “(ii) restrictions under section 7521 on  
2                   directly contacting taxpayers who have in-  
3                   dicated that they prefer their representatives  
4                   be contacted,

5                   “(iii) required procedures under sec-  
6                   tion 6320 for approval of a notice of a lien,

7                   “(iv) required procedures under sub-  
8                   chapter D of chapter 64 for seizure of prop-  
9                   erty for collection of taxes, including re-  
10                  quired procedures under section 6330 for  
11                  approval of a levy or notice of levy, and

12                  “(v) restrictions under section 3708 of  
13                  the Internal Revenue Service Restructuring  
14                  and Reform Act of 1998 on designation of  
15                  taxpayers,

16                  “(B) a review and a certification of whether  
17                  or not the Secretary is complying with the re-  
18                  quirements of section 6103(e)(8) to disclose infor-  
19                  mation to an individual filing a joint return on  
20                  collection activity involving the other individual  
21                  filing the return,

22                  “(C) information regarding extensions of  
23                  the statute of limitations for assessment and col-  
24                  lection of tax under section 6501 and the provi-

1        *sion of notice to taxpayers regarding requests for*  
2        *such extension,*

3                *“(D) an evaluation of the adequacy and se-*  
4        *curity of the technology of the Internal Revenue*  
5        *Service,*

6                *“(E) any termination or mitigation under*  
7        *section 1203 of the Internal Revenue Service Re-*  
8        *structuring and Reform Act of 1998, and*

9                *“(F) information regarding improper de-*  
10        *nial of requests for information from the Inter-*  
11        *nal Revenue Service identified under paragraph*  
12        *(3)(A).*

13        *“(2) SEMIANNUAL REPORTS.—*

14                *“(A) IN GENERAL.—The Treasury Inspector*  
15        *General for Tax Administration shall include in*  
16        *each semiannual report under section 5 of the*  
17        *Inspector General Act of 1978—*

18                *“(i) the number of taxpayer complaints*  
19        *during the reporting period;*

20                *“(ii) the number of employee mis-*  
21        *conduct and taxpayer abuse allegations re-*  
22        *ceived by the Internal Revenue Service or*  
23        *the Inspector General during the period*  
24        *from taxpayers, Internal Revenue Service*  
25        *employees, and other sources;*

1                   “(iii) a summary of the status of such  
2                   complaints and allegations; and

3                   “(iv) a summary of the disposition of  
4                   such complaints and allegations, including  
5                   the outcome of any Department of Justice  
6                   action and any monies paid as a settlement  
7                   of such complaints and allegations.

8                   “(B) Clauses (iii) and (iv) of subparagraph  
9                   (A) shall only apply to complaints and allega-  
10                  tions of serious employee misconduct.

11                  “(3) *OTHER RESPONSIBILITIES.*—*The Treasury*  
12                  *Inspector General for Tax Administration shall—*

13                         “(A) conduct periodic audits of a statis-  
14                         tically valid sample of the total number of deter-  
15                         minations made by the Internal Revenue Service  
16                         to deny written requests to disclose information  
17                         to taxpayers on the basis of section 6103 of this  
18                         title or section 552(b)(7) of title 5, United States  
19                         Code, and

20                         “(B) establish and maintain a toll-free tele-  
21                         phone number for taxpayers to use to confiden-  
22                         tially register complaints of misconduct by Inter-  
23                         nal Revenue Service employees and incorporate  
24                         the telephone number in the statement required  
25                         by section 6227 of the Omnibus Taxpayer Bill of

1           *Rights (Internal Revenue Service Publication*  
2           *No. 1).*”.

3           **(b) NOTICE OF RIGHT TO CONTACT OFFICE INCLUDED**  
4 *IN NOTICE OF DEFICIENCY.*—Section 6212(a) (relating to  
5 *notice of deficiency*) is amended by adding at the end the  
6 *following: “Such notice shall include a notice to the tax-*  
7 *payer of the taxpayer’s right to contact a local office of the*  
8 *taxpayer advocate and the location and phone number of*  
9 *the appropriate office.”.*

10          **(c) EXPANSION OF AUTHORITY TO ISSUE TAXPAYER**  
11 *ASSISTANCE ORDERS.*—Section 7811(a) (relating to tax-  
12 *payer assistance orders*) is amended to read as follows:

13          **“(a) AUTHORITY TO ISSUE.**—

14               **“(1) IN GENERAL.**—Upon application filed by a  
15 *taxpayer with the Office of the Taxpayer Advocate (in*  
16 *such form, manner, and at such time as the Secretary*  
17 *shall by regulations prescribe), the National Taxpayer*  
18 *Advocate may issue a Taxpayer Assistance Order if,*  
19 *in the determination of the National Taxpayer Advo-*  
20 *cate—*

21               **“(A) the taxpayer is suffering or about to**  
22 *suffer a significant hardship as a result of the*  
23 *manner in which the internal revenue laws are*  
24 *being administered by the Secretary, or*

1           “(B) the issuance of a Taxpayer Assistance  
2           Order is otherwise appropriate considering the  
3           circumstances of the taxpayer.

4           “(2) DETERMINATION OF HARDSHIP.—For pur-  
5           poses of paragraph (1), a significant hardship shall  
6           include—

7           “(A) an immediate threat of adverse action,

8           “(B) a delay of more than 30 days in re-  
9           solving taxpayer account problems,

10          “(C) the incurring by the taxpayer of sig-  
11          nificant costs (including fees for professional rep-  
12          resentation) if relief is not granted, or

13          “(D) irreparable injury to, or a long-term  
14          adverse impact on, the taxpayer if relief is not  
15          granted.

16          “(3) STANDARD WHERE ADMINISTRATIVE GUID-  
17          ANCE NOT FOLLOWED.—In cases where any Internal  
18          Revenue Service employee is not following applicable  
19          published administrative guidance (including the In-  
20          ternal Revenue Manual), the National Taxpayer Ad-  
21          vocate shall construe the factors taken into account in  
22          determining whether to issue a taxpayer assistance  
23          order in the manner most favorable to the taxpayer.”.

24          (d) CONFORMING AMENDMENTS RELATING TO NA-  
25          TIONAL TAXPAYER ADVOCATE.—

(1) *The following provisions are each amended by striking “Taxpayer Advocate” each place it appears and inserting “National Taxpayer Advocate”:*

(A) *Section 6323(j)(1)(D) (relating to withdrawal of notice in certain circumstances).*

(B) *Section 6343(d)(2)(D) (relating to return of property in certain cases).*

(C) *Section 7811(b)(2)(D) (relating to terms of a Taxpayer Assistance Order).*

(D) *Section 7811(c) (relating to authority to modify or rescind).*

(E) *Section 7811(d)(2) (relating to suspension of running of period of limitation).*

(F) *Section 7811(e) (relating to independent action of Taxpayer Advocate).*

(G) *Section 7811(f) (relating to Taxpayer Advocate).*

(2) *Section 7811(d)(1) (relating to suspension of running of period of limitation) is amended by striking “Taxpayer Advocate’s” and inserting “National Taxpayer Advocate’s”.*

(3) *The headings of subsections (e) and (f) of section 7811 are each amended by striking “TAXPAYER ADVOCATE” and inserting “NATIONAL TAXPAYER ADVOCATE”.*



1       (e) *ADDITIONAL CONFORMING AMENDMENTS.*—

2               (1) *The table of sections for subchapter A of*  
 3 *chapter 80 is amended by striking the item relating*  
 4 *to section 7803 and inserting the following new item:*

                  “Sec. 7803. Commissioner of Internal Revenue; other officials.”.

5               (2) *Section 5109 of title 5, United States Code,*  
 6 *is amended by striking subsection (b) and redesignat-*  
 7 *ing subsection (c) as subsection (b).*

8               (3) *Section 7611(f)(1) (relating to restrictions on*  
 9 *church tax inquiries and examinations) is amended*  
 10 *by striking “Assistant Commissioner for Employee*  
 11 *Plans and Exempt Organizations of the Internal Rev-*  
 12 *enue Service” and inserting “Secretary”.*

13       (f) *EFFECTIVE DATE.*—

14               (1) *IN GENERAL.*—*Except as provided in para-*  
 15 *graph (2), the amendments made by this section shall*  
 16 *take effect on the date of the enactment of this Act.*

17               (2) *CHIEF COUNSEL.*—*Section 7803(b)(3) of the*  
 18 *Internal Revenue Code of 1986, as added by this sec-*  
 19 *tion, shall take effect on the date that is 90 days after*  
 20 *the date of the enactment of this Act.*

21               (3) *NATIONAL TAXPAYER ADVOCATE.*—*During*  
 22 *the period before the appointment of the Internal Rev-*  
 23 *enue Service Oversight Board and notwithstanding*  
 24 *section 7803(c)(1)(B)(ii) of the Internal Revenue Code*  
 25 *of 1986, as added by this section, the National Tax-*

1     *payer Advocate shall be appointed by the Secretary of*  
 2     *the Treasury from among individuals who have a*  
 3     *background in customer service as well as tax law*  
 4     *and who have experience in representing individual*  
 5     *taxpayers. The Commissioner of Internal Revenue*  
 6     *shall submit to the Secretary a list of nominations for*  
 7     *consideration under the preceding sentence.*

8             (4) *CURRENT OFFICERS.—*

9             (A) *In the case of an individual serving as*  
 10            *Commissioner of Internal Revenue on the date of*  
 11            *the enactment of this Act who was appointed to*  
 12            *such position before such date, the 5-year term*  
 13            *required by section 7803(a)(1) of the Internal*  
 14            *Revenue Code of 1986, as added by this section,*  
 15            *shall begin as of the date of such appointment.*

16            (B) *Clauses (ii) and (iii) of section*  
 17            *7803(c)(1)(B) of such Code, as added by this sec-*  
 18            *tion, shall not apply to the individual serving as*  
 19            *Taxpayer Advocate on the date of the enactment*  
 20            *of this Act.*

21     **SEC. 1103. TREASURY INSPECTOR GENERAL FOR TAX AD-**  
 22             **MINISTRATION.**

23            (a) *ESTABLISHMENT OF 2 INSPECTORS GENERAL IN*  
 24     *THE DEPARTMENT OF THE TREASURY.—Section 2 of the*  
 25     *Inspector General Act of 1978 (5 U.S.C. App.) is amended*

1 *by striking the matter following paragraph (3) and insert-*  
 2 *ing the following:*

3 *“there is established—*

4 *“(A) in each of such establishments an office*  
 5 *of Inspector General, subject to subparagraph*  
 6 *(B); and*

7 *“(B) in the establishment of the Department*  
 8 *of the Treasury—*

9 *“(i) an Office of Inspector General of*  
 10 *the Department of the Treasury; and*

11 *“(ii) an Office of Treasury Inspector*  
 12 *General for Tax Administration.”.*

13 *(b) AMENDMENTS TO SECTION 8D OF THE INSPECTOR*  
 14 *GENERAL ACT OF 1978.—*

15 *(1) LIMITATION ON AUTHORITY OF INSPECTOR*  
 16 *GENERAL.—Section 8D(a) of the Inspector General*  
 17 *Act of 1978 (5 U.S.C. App.) is amended by adding*  
 18 *at the end the following:*

19 *“(4) The Secretary of the Treasury may not ex-*  
 20 *ercise any power under paragraph (1) or (2) with re-*  
 21 *spect to the Treasury Inspector General for Tax Ad-*  
 22 *ministration.”.*

23 *(2) DUTIES OF INSPECTOR GENERAL OF THE DE-*  
 24 *PARTMENT OF THE TREASURY; RELATIONSHIP TO THE*

1       TREASURY INSPECTOR GENERAL FOR TAX ADMINIS-  
2       TRATION.—Section 8D(b) of such Act is amended—

3               (A) by inserting “(1)” after “(b)”; and

4               (B) by adding at the end the following:

5               “(2) The Inspector General of the Department of  
6       the Treasury shall exercise all duties and responsibil-  
7       ities of an Inspector General for the Department of  
8       the Treasury other than the duties and responsibil-  
9       ities exercised by the Treasury Inspector General for  
10      Tax Administration.

11              “(3) The Secretary of the Treasury shall estab-  
12      lish procedures under which the Inspector General of  
13      the Department of the Treasury and the Treasury In-  
14      spector General for Tax Administration will—

15              “(A) determine how audits and investiga-  
16      tions are allocated in cases of overlapping juris-  
17      diction, and

18              “(B) provide for coordination, cooperation,  
19      and efficiency in the conduct of such audits and  
20      investigations.”.

21              (3) ACCESS TO RETURNS AND RETURN INFORMA-  
22      TION.—Section 8D(e) of such Act is amended—

23              (A) in paragraph (1), by striking “Inspec-  
24      tor General” and inserting “Treasury Inspector  
25      General for Tax Administration”;

1           (B) in paragraph (2), by striking all begin-  
 2           ning with “(2)” through subparagraph (B);

3           (C)(i) by redesignating subparagraph (C) of  
 4           paragraph (2) as paragraph (2) of such sub-  
 5           section; and

6           (ii) in such redesignated paragraph (2), by  
 7           striking “Inspector General” and inserting  
 8           “Treasury Inspector General for Tax Adminis-  
 9           tration”; and

10          (D)(i) by redesignating subparagraph (D)  
 11          of such paragraph as paragraph (3) of such sub-  
 12          section; and

13          (ii) in such redesignated paragraph (3), by  
 14          striking “Inspector General” and inserting  
 15          “Treasury Inspector General for Tax Adminis-  
 16          tration”.

17          (4) *EFFECT ON CERTAIN FINAL DECISIONS OF*  
 18          *THE SECRETARY.*—Section 8D(f) of such Act is  
 19          amended by striking “Inspector General” and insert-  
 20          ing “Inspector General of the Department of the  
 21          Treasury or the Treasury Inspector General for Tax  
 22          Administration”.

23          (5) *REPEAL OF LIMITATION ON REPORTS TO THE*  
 24          *ATTORNEY GENERAL.*—Section 8D of such Act is  
 25          amended by striking subsection (g).

1           (6) *TRANSMISSION OF REPORTS.*—Section 8D(h)  
 2       *of such Act is amended—*

3                   (A) *by striking “(h)” and inserting*  
 4       *“(g)(1)”;*

5                   (B) *by striking “and the Committees on*  
 6       *Government Operations and Ways and Means of*  
 7       *the House of Representatives” and inserting*  
 8       *“and the Committees on Government Reform*  
 9       *and Oversight and Ways and Means of the*  
 10      *House of Representatives”;* and

11                  (C) *by adding at the end the following:*

12       “(2) *Any report made by the Treasury Inspector Gen-*  
 13      *eral for Tax Administration that is required to be transmit-*  
 14      *ted by the Secretary of the Treasury to the appropriate com-*  
 15      *mittees or subcommittees of Congress under section 5(d)*  
 16      *shall also be transmitted, within the 7-day period specified*  
 17      *under such subsection, to the Internal Revenue Service*  
 18      *Oversight Board and the Commissioner of Internal Reve-*  
 19      *nue.”.*

20                  (7) *TREASURY INSPECTOR GENERAL FOR TAX*  
 21      *ADMINISTRATION.*—Section 8D of the Act is amended  
 22      *by adding at the end the following:*

23       “(h) *The Treasury Inspector General for Tax Adminis-*  
 24      *tration shall exercise all duties and responsibilities of an*  
 25      *Inspector General of an establishment with respect to the*

1 *Department of the Treasury and the Secretary of the Treas-*  
 2 *ury on all matters relating to the Internal Revenue Service.*  
 3 *The Treasury Inspector General for Tax Administration*  
 4 *shall have sole authority under this Act to conduct an audit*  
 5 *or investigation of the Internal Revenue Service Oversight*  
 6 *Board and the Chief Counsel for the Internal Revenue Serv-*  
 7 *ice.*

8       “(i) *In addition to the requirements of the first sen-*  
 9 *tence of section 3(a), the Treasury Inspector General for*  
 10 *Tax Administration should have experience in tax adminis-*  
 11 *tration and demonstrated ability to lead a large and com-*  
 12 *plex organization.*

13       “(j) *An individual appointed to the position of Treas-*  
 14 *ury Inspector General for Tax Administration, the Assist-*  
 15 *ant Inspector General for Auditing of the Office of the*  
 16 *Treasury Inspector General for Tax Administration under*  
 17 *section 3(d)(1), the Assistant Inspector General for Inves-*  
 18 *tigations of the Office of the Treasury Inspector General for*  
 19 *Tax Administration under section 3(d)(2), or any position*  
 20 *of Deputy Inspector General of the Office of the Treasury*  
 21 *Inspector General for Tax Administration may not be an*  
 22 *employee of the Internal Revenue Service—*

23               “(1) *during the 2-year period preceding the date*  
 24 *of appointment to such position; or*

1           “(2) during the 5-year period following the date  
2           such individual ends service in such position.

3           “(k)(1) In addition to the duties and responsibilities  
4           exercised by an inspector general of an establishment, the  
5           Treasury Inspector General for Tax Administration—

6           “(A) shall have the duty to enforce criminal pro-  
7           visions under section 7608(b) of the Internal Revenue  
8           Code of 1986;

9           “(B) in addition to the functions authorized  
10          under section 7608(b)(2) of such Code, may carry  
11          firearms;

12          “(C) shall be responsible for protecting the Inter-  
13          nal Revenue Service against external attempts to cor-  
14          rupt or threaten employees of the Internal Revenue  
15          Service; and

16          “(D) may designate any employee in the Office  
17          of the Treasury Inspector General for Tax Adminis-  
18          tration to enforce such laws and perform such func-  
19          tions referred to under subparagraphs (A), (B), and  
20          (C).

21          “(2)(A) In performing a law enforcement function  
22          under paragraph (1), the Treasury Inspector General for  
23          Tax Administration shall report any reasonable grounds to  
24          believe there has been a violation of Federal criminal law  
25          to the Attorney General at an appropriate time as deter-



1 mined by the Treasury Inspector General for Tax Adminis-  
2 tration, notwithstanding section 4(d).

3 “(B) In the administration of section 5(d) and sub-  
4 section (g)(2) of this section, the Secretary of the Treasury  
5 may transmit the required report with respect to the Treas-  
6 ury Inspector General for Tax Administration at an appro-  
7 priate time as determined by the Secretary, if the problem,  
8 abuse, or deficiency relates to—

9 “(i) the performance of a law enforcement func-  
10 tion under paragraph (1); and

11 “(ii) sensitive information concerning matters  
12 under subsection (a)(1)(A) through (F).

13 “(3) Nothing in this subsection shall be construed to  
14 affect the authority of any other person to carry out or en-  
15 force any provision specified in paragraph (1).

16 “(l)(1) The Treasury Inspector General for Tax Ad-  
17 ministration shall timely conduct an audit or investigation  
18 relating to the Internal Revenue Service upon the written  
19 request of the Commissioner of Internal Revenue or the In-  
20 ternal Revenue Service Oversight Board.

21 “(2)(A) Any final report of an audit conducted by the  
22 Treasury Inspector General for Tax Administration shall  
23 be timely submitted by the Inspector General to the Com-  
24 missioner of Internal Revenue and the Internal Revenue  
25 Service Oversight Board.

1       “(B) *The Treasury Inspector General for Tax Admin-*  
 2 *istration shall periodically submit to the Commissioner and*  
 3 *Board a list of investigations for which a final report has*  
 4 *been completed by the Inspector General and shall provide*  
 5 *a copy of any such report upon request of the Commissioner*  
 6 *or Board.*

7       “(C) *This paragraph applies regardless of whether the*  
 8 *applicable audit or investigation is requested under para-*  
 9 *graph (1).”.*

10       (c) *TRANSFER OF FUNCTIONS.—*

11               (1) *IN GENERAL.—Section 9(a)(1) of the Inspec-*  
 12 *tor General Act of 1978 (5 U.S.C. App.) is amended*  
 13 *in subparagraph (L)—*

14                       (A) *by inserting “(i)” after “(L)”;*

15                       (B) *by inserting “and” after the semicolon;*

16                       *and*

17                       (C) *by adding at the end the following:*

18                               “(ii) *of the Treasury Inspector General*  
 19 *for Tax Administration, effective 180 days*  
 20 *after the date of the enactment of the Inter-*  
 21 *nal Revenue Service Restructuring and Re-*  
 22 *form Act of 1998, the Office of Chief Inspec-*  
 23 *tor of the Internal Revenue Service;”.*

24               (2) *TERMINATION OF OFFICE OF CHIEF INSPEC-*  
 25 *TOR.—Effective upon the transfer of functions under*

1        *the amendment made by paragraph (1), the Office of*  
 2        *Chief Inspector of the Internal Revenue Service is ter-*  
 3        *minated.*

4            (3) *RETENTION OF CERTAIN INTERNAL AUDIT*  
 5        *PERSONNEL.—In making the transfer under the*  
 6        *amendment made by paragraph (1), the Commis-*  
 7        *sioner of Internal Revenue shall designate and retain*  
 8        *an appropriate number (not in excess of 300) of in-*  
 9        *ternal audit full-time equivalent employee positions*  
 10       *necessary for management relating to the Internal*  
 11       *Revenue Service.*

12           (4) *ADDITIONAL PERSONNEL TRANSFERS.—Effec-*  
 13        *tive 180 days after the date of the enactment of this*  
 14        *Act, the Secretary of the Treasury shall transfer 21*  
 15        *full-time equivalent positions from the Office of the*  
 16        *Inspector General of the Department of the Treasury*  
 17        *to the Office of the Treasury Inspector General for*  
 18        *Tax Administration.*

19           (d) *AUDITS AND REPORTS OF AGENCY FINANCIAL*  
 20        *STATEMENTS.—Subject to section 3521(g) of title 31,*  
 21        *United States Code—*

22           (1) *the Inspector General of the Department of*  
 23        *the Treasury shall, subject to paragraph (2)—*

24           (A) *audit each financial statement in ac-*  
 25        *cordance with section 3521(e) of such title; and*

1           (B) prepare and submit each report re-  
2           quired under section 3521(f) of such title; and

3           (2) the Treasury Inspector General for Tax Ad-  
4           ministration shall—

5           (A) audit that portion of each financial  
6           statement referred to under paragraph (1)(A)  
7           that relates to custodial and administrative ac-  
8           counts of the Internal Revenue Service; and

9           (B) prepare that portion of each report re-  
10          ferred to under paragraph (1)(B) that relates to  
11          custodial and administrative accounts of the In-  
12          ternal Revenue Service.

13       (e) *TECHNICAL AND CONFORMING AMENDMENTS.*—

14           (1) *TRANSFER OF FUNCTIONS.*—Section 8D(b) of  
15          the Inspector General Act of 1978 (5 U.S.C. App.) is  
16          amended by striking “and the internal audits and in-  
17          ternal investigations performed by the Office of Assist-  
18          ant Commissioner (Inspection) of the Internal Reve-  
19          nue Service”.

20           (2) *AMENDMENTS RELATING TO REFERENCES TO*  
21          *THE INSPECTOR GENERAL OF THE DEPARTMENT OF*  
22          *THE TREASURY.*—

23           (A) *LIMITATION ON AUTHORITY.*—Section  
24          8D(a) of the Inspector General Act of 1978 (5  
25          U.S.C. App.) is amended—

1                   (i) in the first sentence of paragraph  
2                   (1), by inserting “of the Department of the  
3                   Treasury” after “Inspector General”;

4                   (ii) in paragraph (2), by inserting “of  
5                   the Department of the Treasury” after “pro-  
6                   hibit the Inspector General”; and

7                   (iii) in paragraph (3)—

8                   (I) in the first sentence, by insert-  
9                   ing “of the Department of the Treas-  
10                  ury” after “notify the Inspector Gen-  
11                  eral”; and

12                  (II) in the second sentence, by in-  
13                  serting “of the Department of the  
14                  Treasury” after “notice, the Inspector  
15                  General”.

16                  (B) DUTIES.—Section 8D(b) of such Act is  
17                  amended in the second sentence by inserting “of  
18                  the Department of the Treasury” after “Inspector  
19                  General”.

20                  (C) AUDITS AND INVESTIGATIONS.—Section  
21                  8D (c) and (d) of such Act are amended by in-  
22                  serting “of the Department of the Treasury”  
23                  after “Inspector General” each place it appears.

1           (3) *REFERENCES.*—*The second section 8G of the*  
 2           *Inspector General Act of 1978 (relating to rule of con-*  
 3           *struction of special provisions) is amended—*

4                     (A) *by striking “SEC. 8G” and inserting*  
 5                     *“SEC. 8H”;*

6                     (B) *by striking “or 8E” and inserting “8E*  
 7                     *or 8F”;* and

8                     (C) *by striking “section 8F(a)” and insert-*  
 9                     *ing “section 8G(a)”.*

10           (4) *AMENDMENT TO INTERNAL REVENUE CODE*  
 11           *OF 1986.*—*Section 7608(b)(1) of the Internal Revenue*  
 12           *Code of 1986 is amended by striking “or of the Inter-*  
 13           *nal Security Division”.*

14 **SEC. 1104. OTHER PERSONNEL.**

15           (a) *IN GENERAL.*—*Section 7804 (relating to the effect*  
 16           *of reorganization plans) is amended to read as follows:*

17 **“SEC. 7804. OTHER PERSONNEL.**

18           “(a) *APPOINTMENT AND SUPERVISION.*—*Unless other-*  
 19           *wise prescribed by the Secretary, the Commissioner of Inter-*  
 20           *nal Revenue is authorized to employ such number of persons*  
 21           *as the Commissioner deems proper for the administration*  
 22           *and enforcement of the internal revenue laws, and the Com-*  
 23           *missioner shall issue all necessary directions, instructions,*  
 24           *orders, and rules applicable to such persons.*

1       “(b) *POSTS OF DUTY OF EMPLOYEES IN FIELD SERV-*  
2 *ICE OR TRAVELING.*—Unless otherwise prescribed by the  
3 *Secretary*—

4               “(1) *DESIGNATION OF POST OF DUTY.*—The  
5 *Commissioner shall determine and designate the posts*  
6 *of duty of all such persons engaged in field work or*  
7 *traveling on official business outside of the District of*  
8 *Columbia.*

9               “(2) *DETAIL OF PERSONNEL FROM FIELD SERV-*  
10 *ICE.*—The Commissioner may order any such person  
11 *engaged in field work to duty in the District of Co-*  
12 *lumbia, for such periods as the Commissioner may*  
13 *prescribe, and to any designated post of duty outside*  
14 *the District of Columbia upon the completion of such*  
15 *duty.*

16       “(c) *DELINQUENT INTERNAL REVENUE OFFICERS AND*  
17 *EMPLOYEES.*—If any officer or employee of the Treasury  
18 *Department acting in connection with the internal revenue*  
19 *laws fails to account for and pay over any amount of money*  
20 *or property collected or received by him in connection with*  
21 *the internal revenue laws, the Secretary shall issue notice*  
22 *and demand to such officer or employee for payment of the*  
23 *amount which he failed to account for and pay over, and,*  
24 *upon failure to pay the amount demanded within the time*  
25 *specified in such notice, the amount so demanded shall be*

1 *deemed imposed upon such officer or employee and assessed*  
 2 *upon the date of such notice and demand, and the provi-*  
 3 *sions of chapter 64 and all other provisions of law relating*  
 4 *to the collection of assessed taxes shall be applicable in re-*  
 5 *spect of such amount.”.*

6 (b) *CONFORMING AMENDMENTS.—*

7 (1) *Subsection (b) of section 6344 is amended by*  
 8 *striking “section 7803(d)” and inserting “section*  
 9 *7804(c)”.*

10 (2) *The table of sections for subchapter A of*  
 11 *chapter 80 is amended by striking the item relating*  
 12 *to section 7804 and inserting the following new item:*

*“Sec. 7804. Other personnel.”.*

13 (c) *EFFECTIVE DATE.—The amendments made by this*  
 14 *section shall take effect on the date of the enactment of this*  
 15 *Act.*

16 **SEC. 1105. PROHIBITION ON EXECUTIVE BRANCH INFLU-**  
 17 **ENCE OVER TAXPAYER AUDITS AND OTHER**  
 18 **INVESTIGATIONS.**

19 (a) *IN GENERAL.—Part I of subchapter A of chapter*  
 20 *75 (relating to crimes, other offenses, and forfeitures) is*  
 21 *amended by adding after section 7216 the following new*  
 22 *section:*



1 **“SEC. 7217. PROHIBITION ON EXECUTIVE BRANCH INFLU-**  
2 **ENCE OVER TAXPAYER AUDITS AND OTHER**  
3 **INVESTIGATIONS.**

4 “(a) *PROHIBITION.*—It shall be unlawful for any ap-  
5 plicable person to request, directly or indirectly, any officer  
6 or employee of the Internal Revenue Service to conduct or  
7 terminate an audit or other investigation of any particular  
8 taxpayer with respect to the tax liability of such taxpayer.

9 “(b) *REPORTING REQUIREMENT.*—Any officer or em-  
10 ployee of the Internal Revenue Service receiving any request  
11 prohibited by subsection (a) shall report the receipt of such  
12 request to the Treasury Inspector General for Tax Adminis-  
13 tration.

14 “(c) *EXCEPTIONS.*—Subsection (a) shall not apply to  
15 any written request made—

16 “(1) to an applicable person by or on behalf of  
17 the taxpayer and forwarded by such applicable person  
18 to the Internal Revenue Service,

19 “(2) by an applicable person for disclosure of re-  
20 turn or return information under section 6103 if such  
21 request is made in accordance with the requirements  
22 of such section, or

23 “(3) by the Secretary of the Treasury as a con-  
24 sequence of the implementation of a change in tax  
25 policy.

1       “(d) *PENALTY.*—Any person who willfully violates  
 2 subsection (a) or fails to report under subsection (b) shall  
 3 be punished upon conviction by a fine in any amount not  
 4 exceeding \$5,000, or imprisonment of not more than 5  
 5 years, or both, together with the costs of prosecution.

6       “(e) *APPLICABLE PERSON.*—For purposes of this sec-  
 7 tion, the term ‘applicable person’ means—

8               “(1) the President, the Vice President, any em-  
 9 ployee of the executive office of the President, and any  
 10 employee of the executive office of the Vice President,  
 11 and

12               “(2) any individual (other than the Attorney  
 13 General of the United States) serving in a position  
 14 specified in section 5312 of title 5, United States  
 15 Code.”.

16       “(b) *CLERICAL AMENDMENT.*—The table of sections for  
 17 part I of subchapter A of chapter 75 is amended by adding  
 18 after the item relating to section 7216 the following new  
 19 item:

“Sec. 7217. Prohibition on executive branch influence over taxpayer  
 audits and other investigations.”.

20       “(c) *EFFECTIVE DATE.*—The amendments made by this  
 21 section shall apply to requests made after the date of the  
 22 enactment of this Act.

1 **SEC. 1106. REVIEW OF MILWAUKEE AND WAUKESHA INTER-**  
2 **NAL REVENUE SERVICE OFFICES.**

3 (a) *IN GENERAL.*—

4 (1) *REVIEW.*—*The Commissioner of Internal*  
5 *Revenue shall appoint an independent expert in em-*  
6 *ployment and personnel matters to conduct a review*  
7 *of the investigation conducted by the task force, estab-*  
8 *lished by the Internal Revenue Service and initiated*  
9 *in January 1998, of the equal employment oppor-*  
10 *tunity process of the Internal Revenue Service offices*  
11 *located in the area of Milwaukee and Waukesha, Wis-*  
12 *consin.*

13 (2) *CONTENT.*—*The review conducted under*  
14 *paragraph (1) shall include—*

15 (A) *a determination of the accuracy and*  
16 *validity of such investigation; and*

17 (B) *if determined necessary by the expert, a*  
18 *further investigation of such offices relating to—*

19 (i) *the equal employment opportunity*  
20 *process; and*

21 (ii) *any alleged discriminatory em-*  
22 *ployment-related actions, including any al-*  
23 *leged violations of Federal law.*

24 (b) *REPORT.*—*Not later than July 1, 1999, the inde-*  
25 *pendent expert shall report on the review conducted under*

1 subsection (a) (and any recommendations for action) to  
 2 Congress and the Commissioner of Internal Revenue.

### 3 ***Subtitle C—Personnel Flexibilities***

#### 4 ***SEC. 1201. IMPROVEMENTS IN PERSONNEL FLEXIBILITIES.***

5 (a) *IN GENERAL.*—Part III of title 5, United States  
 6 Code, is amended by adding at the end the following new  
 7 subpart:

#### 8 ***“Subpart I—Miscellaneous***

#### 9 ***“CHAPTER 95—PERSONNEL FLEXIBILITIES*** 10 ***RELATING TO THE INTERNAL REVE-*** 11 ***NUE SERVICE***

“Sec.

“9501. Internal Revenue Service personnel flexibilities.

“9502. Pay authority for critical positions.

“9503. Streamlined critical pay authority.

“9504. Recruitment, retention, and relocation incentives.

“9505. Performance awards for senior executives.

“9506. Limited appointments to career reserved Senior Executive Service posi-  
 tions.

“9507. Streamlined demonstration project authority.

“9508. General workforce performance management system.

“9509. General workforce classification and pay.

“9510. General workforce staffing.

#### 12 ***“§9501. Internal Revenue Service personnel flexibili-*** 13 ***ties***

14 “(a) *Any flexibilities provided by sections 9502*  
 15 *through 9510 of this chapter shall be exercised in a manner*  
 16 *consistent with—*

17 “(1) *chapter 23 (relating to merit system prin-*  
 18 *ciples and prohibited personnel practices);*

19 “(2) *provisions relating to preference eligibles;*

1           “(3) *except as otherwise specifically provided,*  
 2           *section 5307 (relating to the aggregate limitation on*  
 3           *pay);*

4           “(4) *except as otherwise specifically provided,*  
 5           *chapter 71 (relating to labor-management relations);*  
 6           *and*

7           “(5) *subject to subsections (b) and (c) of section*  
 8           *1104, as though such authorities were delegated to the*  
 9           *Secretary of the Treasury under section 1104(a)(2).*

10          “(b) *The Secretary of the Treasury shall provide the*  
 11          *Office of Personnel Management with any information that*  
 12          *Office requires in carrying out its responsibilities under*  
 13          *this section.*

14          “(c) *Employees within a unit to which a labor organi-*  
 15          *zation is accorded exclusive recognition under chapter 71*  
 16          *shall not be subject to any flexibility provided by sections*  
 17          *9507 through 9510 of this chapter unless the exclusive rep-*  
 18          *resentative and the Internal Revenue Service have entered*  
 19          *into a written agreement which specifically provides for the*  
 20          *exercise of that flexibility. Such written agreement may be*  
 21          *imposed by the Federal Services Impasses Panel under sec-*  
 22          *tion 7119.*

23          **“§9502. Pay authority for critical positions**

24          “(a) *When the Secretary of the Treasury seeks a grant*  
 25          *of authority under section 5377 for critical pay for 1 or*

1 *more positions at the Internal Revenue Service, the Office*  
 2 *of Management and Budget may fix the rate of basic pay,*  
 3 *notwithstanding sections 5377(d)(2) and 5307, at any rate*  
 4 *up to the salary set in accordance with section 104 of title*  
 5 *3.*

6 “(b) *Notwithstanding section 5307, no allowance, dif-*  
 7 *ferential, bonus, award, or similar cash payment may be*  
 8 *paid to any employee receiving critical pay at a rate fixed*  
 9 *under subsection (a), in any calendar year if, or to the ex-*  
 10 *tent that, the employee’s total annual compensation will ex-*  
 11 *ceed the maximum amount of total annual compensation*  
 12 *payable at the salary set in accordance with section 104*  
 13 *of title 3.*

14 **“§9503. Streamlined critical pay authority**

15 “(a) *Notwithstanding section 9502, and without re-*  
 16 *gard to the provisions of this title governing appointments*  
 17 *in the competitive service or the Senior Executive Service*  
 18 *and chapters 51 and 53 (relating to classification and pay*  
 19 *rates), the Secretary of the Treasury may, for a period of*  
 20 *10 years after the date of enactment of this section, estab-*  
 21 *lish, fix the compensation of, and appoint individuals to,*  
 22 *designated critical administrative, technical, and profes-*  
 23 *sional positions needed to carry out the functions of the In-*  
 24 *ternal Revenue Service, if—*

25 “(1) *the positions—*

1           “(A) require expertise of an extremely high  
2           level in an administrative, technical, or profes-  
3           sional field; and

4           “(B) are critical to the Internal Revenue  
5           Service’s successful accomplishment of an impor-  
6           tant mission;

7           “(2) exercise of the authority is necessary to re-  
8           cruit or retain an individual exceptionally well quali-  
9           fied for the position;

10          “(3) the number of such positions does not exceed  
11          40 at any one time;

12          “(4) designation of such positions are approved  
13          by the Secretary of the Treasury;

14          “(5) the terms of such appointments are limited  
15          to no more than 4 years;

16          “(6) appointees to such positions were not Inter-  
17          nal Revenue Service employees immediately prior to  
18          such appointment;

19          “(7) total annual compensation for any ap-  
20          pointee to such positions does not exceed the highest  
21          total annual compensation payable at the rate deter-  
22          mined under section 104 of title 3; and

23          “(8) all such positions are excluded from the col-  
24          lective bargaining unit.

1       “(b) *Individuals appointed under this section shall not*  
2 *be considered to be employees for purposes of subchapter II*  
3 *of chapter 75.*

4       **“§9504. Recruitment, retention, and relocation incen-**  
5                               **tives**

6       *“For a period of 10 years after the date of enactment*  
7 *of this section and subject to approval by the Office of Per-*  
8 *sonnel Management, the Secretary of the Treasury may pro-*  
9 *vide for variations from sections 5753 and 5754 governing*  
10 *payment of recruitment, relocation, and retention incen-*  
11 *tives.*

12       **“§9505. Performance awards for senior executives**

13       *“(a) For a period of 10 years after the date of enact-*  
14 *ment of this section, Internal Revenue Service senior execu-*  
15 *tives who have program management responsibility over*  
16 *significant functions of the Internal Revenue Service may*  
17 *be paid a performance bonus without regard to the limita-*  
18 *tion in section 5384(b)(2) if the Secretary of the Treasury*  
19 *finds such award warranted based on the executive’s per-*  
20 *formance.*

21       *“(b) In evaluating an executive’s performance for pur-*  
22 *poses of an award under this section, the Secretary of the*  
23 *Treasury shall take into account the executive’s contribu-*  
24 *tions toward the successful accomplishment of goals and ob-*  
25 *jectives established under the Government Performance and*



1 *Results Act of 1993, division E of the Clinger-Cohen Act*  
2 *of 1996 (Public Law 104–106; 110 Stat. 679), Revenue Pro-*  
3 *cedure 64–22 (as in effect on July 30, 1997), taxpayer serv-*  
4 *ice surveys, and other performance metrics or plans estab-*  
5 *lished in consultation with the Internal Revenue Service*  
6 *Oversight Board.*

7       “(c) *Any award in excess of 20 percent of an execu-*  
8 *tive’s rate of basic pay shall be approved by the Secretary*  
9 *of the Treasury.*

10       “(d) *Notwithstanding section 5384(b)(3), the Secretary*  
11 *of the Treasury shall determine the aggregate amount of*  
12 *performance awards available to be paid during any fiscal*  
13 *year under this section and section 5384 to career senior*  
14 *executives in the Internal Revenue Service. Such amount*  
15 *may not exceed an amount equal to 5 percent of the aggre-*  
16 *gate amount of basic pay paid to career senior executives*  
17 *in the Internal Revenue Service during the preceding fiscal*  
18 *year. The Internal Revenue Service shall not be included*  
19 *in the determination under section 5384(b)(3) of the aggre-*  
20 *gate amount of performance awards payable to career sen-*  
21 *ior executives in the Department of the Treasury other than*  
22 *the Internal Revenue Service.*

23       “(e) *Notwithstanding section 5307, a performance*  
24 *bonus award may not be paid to an executive in a calendar*  
25 *year if, or to the extent that, the executive’s total annual*

1 *compensation will exceed the maximum amount of total an-*  
 2 *nual compensation payable at the rate determined under*  
 3 *section 104 of title 3.*

4 **“§9506. *Limited appointments to career reserved Sen-***  
 5 ***ior Executive Service positions***

6 “(a) *In the application of section 3132, a ‘career re-*  
 7 *served position’ in the Internal Revenue Service means a*  
 8 *position designated under section 3132(b) which may be*  
 9 *filled only by—*

10 “(1) *a career appointee, or*

11 “(2) *a limited emergency appointee or a limited*  
 12 *term appointee—*

13 “(A) *who, immediately upon entering the*  
 14 *career reserved position, was serving under a ca-*  
 15 *reer or career-conditional appointment outside*  
 16 *the Senior Executive Service; or*

17 “(B) *whose limited emergency or limited*  
 18 *term appointment is approved in advance by the*  
 19 *Office of Personnel Management.*

20 “(b)(1) *The number of positions described under sub-*  
 21 *section (a) which are filled by an appointee as described*  
 22 *under paragraph (2) of such subsection may not exceed 10*  
 23 *percent of the total number of Senior Executive Service po-*  
 24 *sitions in the Internal Revenue Service.*

25 “(2) *Notwithstanding section 3132—*

1           “(A) *the term of an appointee described under*  
 2           *subsection (a)(2) may be for any period not to exceed*  
 3           *3 years; and*

4           “(B) *such an appointee may serve—*

5                   “(i) *2 such terms; or*

6                   “(ii) *2 such terms in addition to any unex-*  
 7                   *pired term applicable at the time of appoint-*  
 8                   *ment.*

9   **“§9507. Streamlined demonstration project authority**

10           “(a) *The exercise of any of the flexibilities under sec-*  
 11           *tions 9502 through 9510 shall not affect the authority of*  
 12           *the Secretary of the Treasury to implement for the Internal*  
 13           *Revenue Service a demonstration project subject to chapter*  
 14           *47, as provided in subsection (b).*

15           “(b) *In applying section 4703 to a demonstration*  
 16           *project described in section 4701(a)(4) which involves the*  
 17           *Internal Revenue Service—*

18                   “(1) *section 4703(b)(1) shall be deemed to read*  
 19                   *as follows:*

20                           “‘(1) *develop a plan for such project which de-*  
 21                           *scribes its purpose, the employees to be covered, the*  
 22                           *project itself, its anticipated outcomes, and the meth-*  
 23                           *od of evaluating the project;’;*

24                   “(2) *section 4703(b)(3) shall not apply;*

1           “(3) the 180-day notification period in section  
2           4703(b)(4) shall be deemed to be a notification period  
3           of 30 days;

4           “(4) section 4703(b)(6) shall be deemed to read  
5           as follows:

6           “‘(6) provides each House of Congress with the  
7           final version of the plan.’;

8           “(5) section 4703(c)(1) shall be deemed to read  
9           as follows:

10          “‘(1) subchapter V of chapter 63 or subpart G  
11          of part III of this title.’;

12          “(6) the requirements of paragraphs (1)(A) and  
13          (2) of section 4703(d) shall not apply; and

14          “(7) notwithstanding section 4703(d)(1)(B),  
15          based on an evaluation as provided in section  
16          4703(h), the Office of Personnel Management and the  
17          Secretary of the Treasury, except as otherwise pro-  
18          vided by this subsection, may waive the termination  
19          date of a demonstration project under section 4703(d).

20          “(c) At least 90 days before waiving the termination  
21          date under subsection (b)(7), the Office of Personnel Man-  
22          agement shall publish in the Federal Register a notice of  
23          its intention to waive the termination date and shall inform  
24          in writing both Houses of Congress of its intention.

1 **“§ 9508. General workforce performance management**  
2 **system**

3 *“(a) In lieu of a performance appraisal system estab-*  
4 *lished under section 4302, the Secretary of the Treasury*  
5 *may establish for all or part of the Internal Revenue Service*  
6 *a performance management system that—*

7 *“(1) maintains individual accountability by—*

8 *“(A) establishing 1 or more retention stand-*  
9 *ards for each employee related to the work of the*  
10 *employee and expressed in terms of individual*  
11 *performance, and communicating such retention*  
12 *standards to employees;*

13 *“(B) making periodic determinations of*  
14 *whether each employee meets or does not meet the*  
15 *employee’s established retention standards; and*

16 *“(C) taking actions, in accordance with ap-*  
17 *plicable laws and regulations, with respect to*  
18 *any employee whose performance does not meet*  
19 *established retention standards, including deny-*  
20 *ing any increases in basic pay, promotions, and*  
21 *credit for performance under section 3502, and*  
22 *taking 1 or more of the following actions:*

23 *“(i) Reassignment.*

24 *“(ii) An action under chapter 43 or*  
25 *chapter 75 of this title.*

1                   “(iii) Any other appropriate action to  
2                   resolve the performance problem; and

3                   “(2) except as provided under section 1204 of the  
4                   Internal Revenue Service Restructuring and Reform  
5                   Act of 1998, strengthens the system’s effectiveness  
6                   by—

7                   “(A) establishing goals or objectives for in-  
8                   dividual, group, or organizational performance  
9                   (or any combination thereof), consistent with the  
10                  Internal Revenue Service’s performance planning  
11                  procedures, including those established under the  
12                  Government Performance and Results Act of  
13                  1993, division E of the Clinger-Cohen Act of  
14                  1996 (Public Law 104–106; 110 Stat. 679), Rev-  
15                  enue Procedure 64–22 (as in effect on July 30,  
16                  1997), and taxpayer service surveys, and com-  
17                  municating such goals or objectives to employees;

18                  “(B) using such goals and objectives to  
19                  make performance distinctions among employees  
20                  or groups of employees; and

21                  “(C) using performance assessments as a  
22                  basis for granting employee awards, adjusting  
23                  an employee’s rate of basic pay, and other ap-  
24                  propriate personnel actions, in accordance with  
25                  applicable laws and regulations.

1       “(b)(1) For purposes of subsection (a)(2), the term  
2 ‘performance assessment’ means a determination of whether  
3 or not retention standards established under subsection  
4 (a)(1)(A) are met, and any additional performance deter-  
5 mination made on the basis of performance goals and objec-  
6 tives established under subsection (a)(2)(A).

7       “(2) For purposes of this title, the term ‘unacceptable  
8 performance’ with respect to an employee of the Internal  
9 Revenue Service covered by a performance management sys-  
10 tem established under this section means performance of the  
11 employee which fails to meet a retention standard estab-  
12 lished under this section.

13       “(c)(1) The Secretary of the Treasury may establish  
14 an awards program designed to provide incentives for and  
15 recognition of organizational, group, and individual  
16 achievements by providing for granting awards to employ-  
17 ees who, as individuals or members of a group, contribute  
18 to meeting the performance goals and objectives established  
19 under this chapter by such means as a superior individual  
20 or group accomplishment, a documented productivity gain,  
21 or sustained superior performance.

22       “(2) A cash award under subchapter I of chapter 45  
23 may be granted to an employee of the Internal Revenue  
24 Service without the need for any approval under section  
25 4502(b).

1       “(d)(1) In applying sections 4303(b)(1)(A) and  
2 7513(b)(1) to employees of the Internal Revenue Service, ‘30  
3 days’ may be deemed to be ‘15 days’.

4       “(2) Notwithstanding the second sentence of section  
5 5335(c), an employee of the Internal Revenue Service shall  
6 not have a right to appeal the denial of a periodic step  
7 increase under section 5335 to the Merit Systems Protection  
8 Board.

9       **“§9509. General workforce classification and pay**

10       “(a) For purposes of this section, the term ‘broad-band-  
11 ed system’ means a system for grouping positions for pay,  
12 job evaluation, and other purposes that is different from  
13 the system established under chapter 51 and subchapter III  
14 of chapter 53 as a result of combining grades and related  
15 ranges of rates of pay in 1 or more occupational series.

16       “(b)(1)(A) The Secretary of the Treasury may, subject  
17 to criteria to be prescribed by the Office of Personnel Man-  
18 agement, establish 1 or more broad-banded systems covering  
19 all or any portion of the Internal Revenue Service work-  
20 force.

21       “(B) With the approval of the Office of Personnel Man-  
22 agement, a broad-banded system established under this sec-  
23 tion may either include or consist of positions that other-  
24 wise would be subject to subchapter IV of chapter 53 or sec-  
25 tion 5376.



1       “(2) *The Office of Personnel Management may require*  
2 *the Secretary of the Treasury to submit information relat-*  
3 *ing to broad-banded systems at the Internal Revenue Serv-*  
4 *ice.*

5       “(3) *Except as otherwise provided under this section,*  
6 *employees under a broad-banded system shall continue to*  
7 *be subject to the laws and regulations covering employees*  
8 *under the pay system that otherwise would apply to such*  
9 *employees.*

10       “(4) *The criteria to be prescribed by the Office of Per-*  
11 *sonnel Management shall, at a minimum—*

12               “(A) *ensure that the structure of any broad-*  
13 *banded system maintains the principle of equal pay*  
14 *for substantially equal work;*

15               “(B) *establish the minimum and maximum*  
16 *number of grades that may be combined into pay*  
17 *bands;*

18               “(C) *establish requirements for setting minimum*  
19 *and maximum rates of pay in a pay band;*

20               “(D) *establish requirements for adjusting the pay*  
21 *of an employee within a pay band;*

22               “(E) *establish requirements for setting the pay of*  
23 *a supervisory employee whose position is in a pay*  
24 *band or who supervises employees whose positions are*  
25 *in pay bands; and*

1           “(F) *establish requirements and methodologies*  
2           *for setting the pay of an employee upon conversion to*  
3           *a broad-banded system, initial appointment, change*  
4           *of position or type of appointment (including pro-*  
5           *motion, demotion, transfer, reassignment, reinstatement,*  
6           *placement in another pay band, or movement*  
7           *to a different geographic location), and movement be-*  
8           *tween a broad-banded system and another pay sys-*  
9           *tem.*

10          “(c) *With the approval of the Office of Personnel Man-*  
11          *agement and in accordance with a plan for implementation*  
12          *submitted by the Secretary of the Treasury, the Secretary*  
13          *may, with respect to Internal Revenue Service employees*  
14          *who are covered by a broad-banded system established under*  
15          *this section, provide for variations from the provisions of*  
16          *subchapter VI of chapter 53.*

17          **“§9510. General workforce staffing**

18          “(a)(1) *Except as otherwise provided by this section,*  
19          *an employee of the Internal Revenue Service may be selected*  
20          *for a permanent appointment in the competitive service in*  
21          *the Internal Revenue Service through internal competitive*  
22          *promotion procedures if—*

23                  “(A) *the employee has completed, in the competi-*  
24                  *tive service, 2 years of current continuous service*

1       *under a term appointment or any combination of*  
2       *term appointments;*

3               “(B) *such term appointment or appointments*  
4       *were made under competitive procedures prescribed*  
5       *for permanent appointments;*

6               “(C) *the employee’s performance under such term*  
7       *appointment or appointments met established reten-*  
8       *tion standards, or, if not covered by a performance*  
9       *management system established under section 9508,*  
10       *was rated at the fully successful level or higher (or*  
11       *equivalent thereof); and*

12               “(D) *the vacancy announcement for the term ap-*  
13       *pointment from which the conversion is made stated*  
14       *that there was a potential for subsequent conversion*  
15       *to a permanent appointment.*

16               “(2) *An appointment under this section may be made*  
17       *only to a position in the same line of work as a position*  
18       *to which the employee received a term appointment under*  
19       *competitive procedures.*

20               “(b)(1) *Notwithstanding subchapter I of chapter 33,*  
21       *the Secretary of the Treasury may establish category rating*  
22       *systems for evaluating applicants for Internal Revenue*  
23       *Service positions in the competitive service under which*  
24       *qualified candidates are divided into 2 or more quality cat-*

1 egories on the basis of relative degrees of merit, rather than  
2 assigned individual numerical ratings.

3       “(2) Each applicant who meets the minimum quali-  
4 fication requirements for the position to be filled shall be  
5 assigned to an appropriate category based on an evaluation  
6 of the applicant’s knowledge, skills, and abilities relative  
7 to those needed for successful performance in the position  
8 to be filled.

9       “(3) Within each quality category established under  
10 paragraph (1), preference eligibles shall be listed ahead of  
11 individuals who are not preference eligibles. For other than  
12 scientific and professional positions at or higher than GS-  
13 9 (or equivalent), preference eligibles who have a compen-  
14 sable service-connected disability of 10 percent or more, and  
15 who meet the minimum qualification standards, shall be  
16 listed in the highest quality category.

17       “(4) An appointing authority may select any appli-  
18 cant from the highest quality category or, if fewer than 3  
19 candidates have been assigned to the highest quality cat-  
20 egory, from a merged category consisting of the highest and  
21 second highest quality categories.

22       “(5) Notwithstanding paragraph (4), the appointing  
23 authority may not pass over a preference eligible in the  
24 same or higher category from which selection is made unless

1 *the requirements of section 3317(b) or 3318(b), as applica-*  
 2 *ble, are satisfied.*

3       “(c) *The Secretary of the Treasury may detail employ-*  
 4 *ees among the offices of the Internal Revenue Service with-*  
 5 *out regard to the 120-day limitation in section 3341(b).*

6       “(d) *Notwithstanding any other provision of law, the*  
 7 *Secretary of the Treasury may establish a probationary pe-*  
 8 *riod under section 3321 of up to 3 years for Internal Reve-*  
 9 *nue Service positions if the Secretary of the Treasury deter-*  
 10 *mines that the nature of the work is such that a shorter*  
 11 *period is insufficient to demonstrate complete proficiency*  
 12 *in the position.*

13       “(e) *Nothing in this section exempts the Secretary of*  
 14 *the Treasury from—*

15               “(1) *any employment priority established under*  
 16 *direction of the President for the placement of surplus*  
 17 *or displaced employees; or*

18               “(2) *any obligation under a court order or decree*  
 19 *relating to the employment practices of the Internal*  
 20 *Revenue Service or the Department of the Treasury.”.*

21       (b) *CLERICAL AMENDMENT.—The table of sections for*  
 22 *part III of title 5, United States Code, is amended by add-*  
 23 *ing at the end the following:*

“Subpart I—Miscellaneous

**“95. Personnel flexibilities relating to the Internal Reve-**  
**nue Service ..... 9501”.**

1 **SEC. 1202. VOLUNTARY SEPARATION INCENTIVE PAY-**  
2 **MENTS.**

3 (a) *DEFINITION.*—*In this section, the term “employee”*  
4 *means an employee (as defined by section 2105 of title 5,*  
5 *United States Code) who is employed by the Internal Reve-*  
6 *nue Service serving under an appointment without time*  
7 *limitation, and has been currently employed for a continu-*  
8 *ous period of at least 3 years, but does not include—*

9 (1) *a reemployed annuitant under subchapter*  
10 *III of chapter 83 or chapter 84 of title 5, United*  
11 *States Code, or another retirement system;*

12 (2) *an employee having a disability on the basis*  
13 *of which such employee is or would be eligible for dis-*  
14 *ability retirement under the applicable retirement*  
15 *system referred to in paragraph (1);*

16 (3) *an employee who is in receipt of a specific*  
17 *notice of involuntary separation for misconduct or*  
18 *unacceptable performance;*

19 (4) *an employee who, upon completing an addi-*  
20 *tional period of service as referred to in section*  
21 *3(b)(2)(B)(ii) of the Federal Workforce Restructuring*  
22 *Act of 1994 (5 U.S.C. 5597 note), would qualify for*  
23 *a voluntary separation incentive payment under sec-*  
24 *tion 3 of such Act;*

25 (5) *an employee who has previously received any*  
26 *voluntary separation incentive payment by the Fed-*

1        *eral Government under this section or any other au-*  
 2        *thority and has not repaid such payment;*

3            *(6) an employee covered by statutory reemploy-*  
 4        *ment rights who is on transfer to another organiza-*  
 5        *tion; or*

6            *(7) any employee who, during the 24-month pe-*  
 7        *riod preceding the date of separation, has received a*  
 8        *recruitment or relocation bonus under section 5753 of*  
 9        *title 5, United States Code, or who, within the 12-*  
 10       *month period preceding the date of separation, re-*  
 11       *ceived a retention allowance under section 5754 of*  
 12       *title 5, United States Code.*

13        *(b) AUTHORITY TO PROVIDE VOLUNTARY SEPARATION*  
 14       *INCENTIVE PAYMENTS.—*

15            *(1) IN GENERAL.—The Commissioner of Internal*  
 16        *Revenue may pay voluntary separation incentive*  
 17        *payments under this section to any employee to the*  
 18        *extent necessary to carry out the plan to reorganize*  
 19        *the Internal Revenue Service under section 1001.*

20            *(2) AMOUNT AND TREATMENT OF PAYMENTS.—A*  
 21        *voluntary separation incentive payment—*

22            *(A) shall be paid in a lump sum after the*  
 23        *employee's separation;*

1           (B) shall be paid from appropriations or  
 2 funds available for the payment of the basic pay  
 3 of the employees;

4           (C) shall be equal to the lesser of—

5               (i) an amount equal to the amount the  
 6 employee would be entitled to receive under  
 7 section 5595(c) of title 5, United States  
 8 Code; or

9               (ii) an amount determined by an agen-  
 10 cy head not to exceed \$25,000;

11          (D) may not be made except in the case of  
 12 any qualifying employee who voluntarily sepa-  
 13 rates (whether by retirement or resignation) be-  
 14 fore January 1, 2003;

15          (E) shall not be a basis for payment, and  
 16 shall not be included in the computation, of any  
 17 other type of Government benefit; and

18          (F) shall not be taken into account in deter-  
 19 mining the amount of any severance pay to  
 20 which the employee may be entitled under section  
 21 5595 of title 5, United States Code, based on any  
 22 other separation.

23          (c) *ADDITIONAL INTERNAL REVENUE SERVICE CON-*  
 24 *TRIBUTIONS TO THE RETIREMENT FUND.*—



1           (1) *IN GENERAL.*—*In addition to any other pay-*  
2           *ments which it is required to make under subchapter*  
3           *III of chapter 83 of title 5, United States Code, the*  
4           *Internal Revenue Service shall remit to the Office of*  
5           *Personnel Management for deposit in the Treasury of*  
6           *the United States to the credit of the Civil Service Re-*  
7           *irement and Disability Fund an amount equal to 15*  
8           *percent of the final basic pay of each employee who*  
9           *is covered under subchapter III of chapter 83 or chap-*  
10          *ter 84 of title 5, United States Code, to whom a vol-*  
11          *untary separation incentive has been paid under this*  
12          *section.*

13          (2) *DEFINITION.*—*In paragraph (1), the term*  
14          *“final basic pay”, with respect to an employee, means*  
15          *the total amount of basic pay which would be payable*  
16          *for a year of service by such employee, computed*  
17          *using the employee’s final rate of basic pay, and, if*  
18          *last serving on other than a full-time basis, with ap-*  
19          *propriate adjustment therefor.*

20          (d) *EFFECT OF SUBSEQUENT EMPLOYMENT WITH THE*  
21          *GOVERNMENT.*—*An individual who has received a vol-*  
22          *untary separation incentive payment under this section*  
23          *and accepts any employment for compensation with the*  
24          *Government of the United States, or who works for any*  
25          *agency of the United States Government through a personal*

1 *services contract, within 5 years after the date of the separa-*  
 2 *tion on which the payment is based shall be required to*  
 3 *pay, prior to the individual's first day of employment, the*  
 4 *entire amount of the incentive payment to the Internal Rev-*  
 5 *enue Service.*

6 (e) *EFFECT ON INTERNAL REVENUE SERVICE EM-*  
 7 *PLOYMENT LEVELS.—*

8 (1) *INTENDED EFFECT.—**Voluntary separations*  
 9 *under this section are not intended to necessarily re-*  
 10 *duce the total number of full-time equivalent positions*  
 11 *in the Internal Revenue Service.*

12 (2) *USE OF VOLUNTARY SEPARATIONS.—**The In-*  
 13 *ternal Revenue Service may redeploy or use the full-*  
 14 *time equivalent positions vacated by voluntary sepa-*  
 15 *rations under this section to make other positions*  
 16 *available to more critical locations or more critical*  
 17 *occupations.*

18 **SEC. 1203. TERMINATION OF EMPLOYMENT FOR MIS-**  
 19 **CONDUCT.**

20 (a) *IN GENERAL.—**Subject to subsection (c), the Com-*  
 21 *missioner of Internal Revenue shall terminate the employ-*  
 22 *ment of any employee of the Internal Revenue Service if*  
 23 *there is a final administrative or judicial determination*  
 24 *that such employee committed any act or omission described*  
 25 *under subsection (b) in the performance of the employee's*

1 *official duties. Such termination shall be a removal for*  
2 *cause on charges of misconduct.*

3       **(b) ACTS OR OMISSIONS.**—*The acts or omissions re-*  
4 *ferred to under subsection (a) are—*

5               (1) *failure to obtain the required approval signa-*  
6 *tures on documents authorizing the seizure of a tax-*  
7 *payer's home, personal belongings, or business assets;*

8               (2) *providing a false statement under oath with*  
9 *respect to a material matter involving a taxpayer or*  
10 *taxpayer representative;*

11              (3) *violation of the civil rights of a taxpayer,*  
12 *taxpayer representative, or other employee of the In-*  
13 *ternal Revenue Service;*

14              (4) *falsifying or destroying documents to conceal*  
15 *mistakes made by the employee with respect to a mat-*  
16 *ter involving a taxpayer or taxpayer representative;*

17              (5) *assault or battery on a taxpayer, taxpayer*  
18 *representative, or other employee of the Internal Reve-*  
19 *nue Service;*

20              (6) *violations of the Internal Revenue Code of*  
21 *1986, Department of Treasury regulations, or policies*  
22 *of the Internal Revenue Service (including the Inter-*  
23 *nal Revenue Manual) for the purpose of retaliating*  
24 *against, or harassing, a taxpayer, taxpayer represent-*

1        *ative, or other employee of the Internal Revenue Serv-*  
2        *ice;*

3            *(7) willful misuse of the provisions of section*  
4        *6103 of the Internal Revenue Code of 1986 for the*  
5        *purpose of concealing information from a congres-*  
6        *sional inquiry,*

7            *(8) willful failure to file any return of tax re-*  
8        *quired under the Internal Revenue Code of 1986 on*  
9        *or before the date prescribed therefor (including any*  
10       *extensions), unless such failure is due to reasonable*  
11       *cause and not to willful neglect,*

12           *(9) willful understatement of Federal tax liabil-*  
13        *ity, unless such understatement is due to reasonable*  
14        *cause and not to willful neglect, and*

15           *(10) threatening to audit a taxpayer for the pur-*  
16        *pose of extracting personal gain or benefit.*

17        *(c) DETERMINATION OF COMMISSIONER.—*

18           *(1) IN GENERAL.—The Commissioner of Internal*  
19        *Revenue may take a personnel action other than ter-*  
20        *mination for an act or omission under subsection (a).*

21           *(2) DISCRETION.—The exercise of authority*  
22        *under paragraph (1) shall be at the sole discretion of*  
23        *the Commissioner of Internal Revenue and may not*  
24        *be delegated to any other officer. The Commissioner of*  
25        *Internal Revenue, in his sole discretion, may establish*

1        *a procedure which will be used to determine whether*  
 2        *an individual should be referred to the Commissioner*  
 3        *of Internal Revenue for a determination by the Com-*  
 4        *missioner under paragraph (1).*

5                *(3) NO APPEAL.—Any determination of the Com-*  
 6        *missioner of Internal Revenue under this subsection*  
 7        *may not be appealed in any administrative or judi-*  
 8        *cial proceeding.*

9        **SEC. 1204. BASIS FOR EVALUATION OF INTERNAL REVENUE**

10                **SERVICE EMPLOYEES.**

11        *(a) IN GENERAL.—The Internal Revenue Service shall*  
 12        *not use records of tax enforcement results—*

13                *(1) to evaluate employees; or*

14                *(2) to impose or suggest production quotas or*  
 15        *goals with respect to such employees.*

16        *(b) TAXPAYER SERVICE.—The Internal Revenue Serv-*  
 17        *ice shall use the fair and equitable treatment of taxpayers*  
 18        *by employees as one of the standards for evaluating em-*  
 19        *ployee performance.*

20        *(c) CERTIFICATION.—Each appropriate supervisor*  
 21        *shall certify quarterly by letter to the Commissioner of In-*  
 22        *ternal Revenue that tax enforcement results are not used*  
 23        *in a manner prohibited by subsection (a).*

1       (d) *TECHNICAL AND CONFORMING AMENDMENT.*—Sec-  
 2       tion 6231 of the *Technical and Miscellaneous Revenue Act*  
 3       of 1988 (Public Law 100–647; 102 Stat. 3734) is repealed.

4       (e) *EFFECTIVE DATE.*—This section shall apply to  
 5       evaluations conducted on or after the date of the enactment  
 6       of this Act.

7       **SEC. 1205. EMPLOYEE TRAINING PROGRAM.**

8       (a) *IN GENERAL.*—Not later than 90 days after the  
 9       date of the enactment of this Act, the Commissioner of Inter-  
 10      nal Revenue shall implement an employee training pro-  
 11      gram and shall submit an employee training plan to the  
 12      Committee on Finance of the Senate and the Committee on  
 13      Ways and Means of the House of Representatives.

14      (b) *CONTENTS.*—The plan submitted under subsection  
 15      (a) shall—

16           (1) detail a comprehensive employee training  
 17           program to ensure adequate customer service train-  
 18           ing;

19           (2) detail a schedule for training and the fiscal  
 20           years during which the training will occur;

21           (3) detail the funding of the program and rel-  
 22           evant information to demonstrate the priority and  
 23           commitment of resources to the plan;

24           (4) review the organizational design of customer  
 25           service;

1           (5) provide for the implementation of a perform-  
2           ance development system; and

3           (6) provide for at least 16 hours of conflict man-  
4           agement training during fiscal year 1999 for employ-  
5           ees conducting collection activities.

## 6       ***TITLE II—ELECTRONIC FILING***

### 7       ***SEC. 2001. ELECTRONIC FILING OF TAX AND INFORMATION***

#### 8           ***RETURNS.***

9           (a) *IN GENERAL.*—It is the policy of Congress that—

10           (1) *paperless filing should be the preferred and*  
11           *most convenient means of filing Federal tax and in-*  
12           *formation returns,*

13           (2) *electronic filing should be a voluntary option*  
14           *for taxpayers,*

15           (3) *it should be the goal of the Internal Revenue*  
16           *Service to have at least 80 percent of all such returns*  
17           *filed electronically by the year 2007, and*

18           (4) *the Internal Revenue Service should cooper-*  
19           *ate with the private sector by encouraging competi-*  
20           *tion to increase electronic filing of such returns, con-*  
21           *sistent with the provisions of the Office of Manage-*  
22           *ment and Budget Circular A-76.*

23           (b) *STRATEGIC PLAN.*—

24           (1) *IN GENERAL.*—Not later than 180 days after  
25           the date of the enactment of this Act, the Secretary of

1        *the Treasury or the Secretary’s delegate (hereafter in*  
 2        *this section referred to as the “Secretary”)* shall estab-  
 3        *lish a plan to eliminate barriers, provide incentives,*  
 4        *and use competitive market forces to increase elec-*  
 5        *tronic filing gradually over the next 10 years while*  
 6        *maintaining processing times for paper returns at 40*  
 7        *days. To the extent practicable, such plan shall pro-*  
 8        *vide that all returns prepared electronically for tax-*  
 9        *able years beginning after 2001 shall be filed elec-*  
 10       *tronically.*

11            (2) *ELECTRONIC COMMERCE ADVISORY GROUP.—*  
 12        *To ensure that the Secretary receives input from the*  
 13        *private sector in the development and implementation*  
 14        *of the plan required by paragraph (1), the Secretary*  
 15        *shall convene an electronic commerce advisory group*  
 16        *to include representatives from the small business*  
 17        *community and from the tax practitioner, preparer,*  
 18        *and computerized tax processor communities and*  
 19        *other representatives from the electronic filing indus-*  
 20        *try.*

21            (c) *PROMOTION OF ELECTRONIC FILING AND INCEN-*  
 22        *TIVES.—Section 6011 is amended by redesignating sub-*  
 23        *section (f) as subsection (g) and by inserting after sub-*  
 24        *section (e) the following new subsection:*

25            “(f) *PROMOTION OF ELECTRONIC FILING.—*



1           “(1) *IN GENERAL.*—*The Secretary is authorized*  
 2           *to promote the benefits of and encourage the use of*  
 3           *electronic tax administration programs, as they be-*  
 4           *come available, through the use of mass communica-*  
 5           *tions and other means.*

6           “(2) *INCENTIVES.*—*The Secretary may imple-*  
 7           *ment procedures to provide for the payment of appro-*  
 8           *priate incentives for electronically filed returns.”.*

9           (d) *ANNUAL REPORTS.*—*Not later than June 30 of*  
 10          *each calendar year after 1998, the Chairperson of the Inter-*  
 11          *nal Revenue Service Oversight Board, the Secretary of the*  
 12          *Treasury, and the Chairperson of the electronic commerce*  
 13          *advisory group established under subsection (b)(2) shall re-*  
 14          *port to the Committees on Ways and Means, Appropria-*  
 15          *tions, Government Reform and Oversight, and Small Busi-*  
 16          *ness of the House of Representatives and the Committees*  
 17          *on Finance, Appropriations, Governmental Affairs, and*  
 18          *Small Business of the Senate on—*

19               (1) *the progress of the Internal Revenue Service*  
 20               *in meeting the goal of receiving electronically 80 per-*  
 21               *cent of tax and information returns by 2007;*

22               (2) *the status of the plan required by subsection*  
 23               *(b);*

24               (3) *the legislative changes necessary to assist the*  
 25               *Internal Revenue Service in meeting such goal; and*

1           (4) *the effects on small businesses and the self-*  
 2           *employed of electronically filing tax and information*  
 3           *returns.*

4   **SEC. 2002. DUE DATE FOR CERTAIN INFORMATION RE-**  
 5           **URNS.**

6           (a) *INFORMATION RETURNS FILED ELECTRONI-*  
 7           *CALLY.—Section 6071 (relating to time for filing returns*  
 8           *and other documents) is amended by redesignating sub-*  
 9           *section (b) as subsection (c) and by inserting after sub-*  
 10          *section (a) the following new subsection:*

11          “(b) *ELECTRONICALLY FILED INFORMATION RE-*  
 12          *URNS.—Returns made under subparts B and C of part*  
 13          *III of this subchapter which are filed electronically shall*  
 14          *be filed on or before March 31 of the year following the cal-*  
 15          *endar year to which such returns relate.”.*

16          (b) *STUDY RELATING TO TIME FOR PROVIDING NO-*  
 17          *TICE TO RECIPIENTS.—*

18               (1) *IN GENERAL.—The Secretary of the Treasury*  
 19               *shall conduct a study evaluating the effect of extend-*  
 20               *ing the deadline for providing statements to persons*  
 21               *with respect to whom information is required to be*  
 22               *furnished under subparts B and C of part III of sub-*  
 23               *chapter A of chapter 61 of the Internal Revenue Code*  
 24               *of 1986 (other than section 6051 of such Code) from*  
 25               *January 31 to February 15 of the year in which the*

1        *return to which the statement relates is required to be*  
 2        *filed.*

3            (2) *REPORT.*—*Not later than December 31, 1998,*  
 4        *the Secretary of the Treasury shall submit a report on*  
 5        *the study under paragraph (1) to the Committee on*  
 6        *Ways and Means of the House of Representatives and*  
 7        *the Committee on Finance of the Senate.*

8            (c) *EFFECTIVE DATE.*—*The amendment made by sub-*  
 9        *section (a) shall apply to returns required to be filed after*  
 10       *December 31, 1999.*

11        **SEC. 2003. PAPERLESS ELECTRONIC FILING.**

12            (a) *IN GENERAL.*—*Section 6061 (relating to signing*  
 13        *of returns and other documents) is amended—*

14                    (1) *by striking “Except as otherwise provided*  
 15        *by” and inserting the following:*

16                    “(a) *GENERAL RULE.*—*Except as otherwise provided*  
 17        *by subsection (b) and”, and*

18                    (2) *by adding at the end the following new sub-*  
 19        *section:*

20                    “(b) *ELECTRONIC SIGNATURES.*—

21                            “(1) *IN GENERAL.*—*The Secretary shall develop*  
 22        *procedures for the acceptance of signatures in digital*  
 23        *or other electronic form. Until such time as such pro-*  
 24        *cedures are in place, the Secretary may provide for*  
 25        *alternative methods of subscribing all returns, dec-*

1        *larations, statements, or other documents required or*  
 2        *permitted to be made or written under internal reve-*  
 3        *nue laws and regulations.*

4            “(2) *TREATMENT OF ALTERNATIVE METHODS.—*  
 5        *Notwithstanding any other provision of law, any re-*  
 6        *turn, declaration, statement, or other document filed*  
 7        *and verified, signed, or subscribed under any method*  
 8        *adopted under paragraph (1) shall be treated for all*  
 9        *purposes (both civil and criminal, including penalties*  
 10       *for perjury) in the same manner as though signed*  
 11       *and subscribed.*

12           “(3) *PUBLISHED GUIDANCE.—The Secretary*  
 13        *shall publish guidance as appropriate to define and*  
 14        *implement any method adopted under paragraph*  
 15        *(1).”.*

16        (b) *ACKNOWLEDGMENT OF ELECTRONIC FILING.—Sec-*  
 17        *tion 7502(c) is amended to read as follows:*

18           “(c) *REGISTERED AND CERTIFIED MAILING; ELEC-*  
 19        *TRONIC FILING.—*

20           “(1) *REGISTERED MAIL.—For purposes of this*  
 21        *section, if any return, claim, statement, or other doc-*  
 22        *ument, or payment, is sent by United States reg-*  
 23        *istered mail—*

24           “(A) *such registration shall be prima facie*  
 25        *evidence that the return, claim, statement, or*

1           *other document was delivered to the agency, offi-*  
2           *cer, or office to which addressed, and*

3                   *“(B) the date of registration shall be deemed*  
4           *the postmark date.*

5           *“(2) CERTIFIED MAIL; ELECTRONIC FILING.—The*  
6           *Secretary is authorized to provide by regulations the*  
7           *extent to which the provisions of paragraph (1) with*  
8           *respect to prima facie evidence of delivery and the*  
9           *postmark date shall apply to certified mail and elec-*  
10          *tronic filing.”.*

11          *(c) ESTABLISHMENT OF PROCEDURES FOR OTHER IN-*  
12          *FORMATION.—In the case of taxable periods beginning after*  
13          *December 31, 1998, the Secretary of the Treasury or the*  
14          *Secretary’s delegate shall, to the extent practicable, establish*  
15          *procedures to accept, in electronic form, any other informa-*  
16          *tion, statements, elections, or schedules, from taxpayers fil-*  
17          *ing returns electronically, so that such taxpayers will not*  
18          *be required to file any paper.*

19          *(d) INTERNET AVAILABILITY.—In the case of taxable*  
20          *periods beginning after December 31, 1998, the Secretary*  
21          *of the Treasury or the Secretary’s delegate shall establish*  
22          *procedures for all tax forms, instructions, and publications*  
23          *created in the most recent 5-year period to be made avail-*  
24          *able electronically on the Internet in a searchable database*  
25          *not later than the date such records are available to the*

1 public in printed form. In addition, in the case of taxable  
 2 periods beginning after December 31, 1998, the Secretary  
 3 of the Treasury or the Secretary's delegate shall, to the ex-  
 4 tent practicable, establish procedures for other taxpayer  
 5 guidance to be made available electronically on the Internet  
 6 in a searchable database not later than the date such guid-  
 7 ance is available to the public in printed form.

8 (e) *PROCEDURES FOR AUTHORIZING DISCLOSURE*  
 9 *ELECTRONICALLY.*—The Secretary shall establish proce-  
 10 dures for taxpayers to designate, on electronically filed re-  
 11 turns, persons to whom information may be disclosed under  
 12 section 6103(c) of the Internal Revenue Code of 1986.

13 (f) *EFFECTIVE DATE.*—The amendments made by this  
 14 section shall take effect on the date of the enactment of this  
 15 Act.

16 **SEC. 2004. RETURN-FREE TAX SYSTEM.**

17 (a) *IN GENERAL.*—The Secretary of the Treasury or  
 18 the Secretary's delegate shall develop procedures for the im-  
 19 plementation of a return-free tax system under which ap-  
 20 propriate individuals would be permitted to comply with  
 21 the Internal Revenue Code of 1986 without making the re-  
 22 turn required under section 6012 of such Code for taxable  
 23 years beginning after 2007.

24 (b) *REPORT.*—Not later than June 30 of each calendar  
 25 year after 1999, such Secretary shall report to the Commit-

tee on Ways and Means of the House of Representatives and  
the Committee on Finance of the Senate on—

(1) what additional resources the Internal Revenue Service would need to implement such a system,

(2) the changes to the Internal Revenue Code of 1986 that could enhance the use of such a system,

(3) the procedures developed pursuant to subsection (a), and

(4) the number and classes of taxpayers that would be permitted to use the procedures developed pursuant to subsection (a).

**SEC. 2005. ACCESS TO ACCOUNT INFORMATION.**

(a) *IN GENERAL.*—Not later than December 31, 2006, the Secretary of the Treasury or the Secretary's delegate shall develop procedures under which a taxpayer filing returns electronically (and their designees under section 6103(c) of the Internal Revenue Code of 1986) would be able to review the taxpayer's account electronically, but only if all necessary safeguards to ensure the privacy of such account information are in place.

(b) *REPORT.*—Not later than December 31, 2003, the Secretary of the Treasury shall report on the progress the Secretary is making on the development of procedures under subsection (a) to the Committee on Ways and Means of the

1 *House of Representatives and the Committee on Finance*  
 2 *of the Senate.*

3 ***TITLE III—TAXPAYER***  
 4 ***PROTECTION AND RIGHTS***

5 ***SEC. 3000. SHORT TITLE.***

6 *This title may be cited as the “Taxpayer Bill of Rights*  
 7 *3”.*

8 ***Subtitle A—Burden of Proof***

9 ***SEC. 3001. BURDEN OF PROOF.***

10 *(a) IN GENERAL.—Chapter 76 (relating to judicial*  
 11 *proceedings) is amended by adding at the end the following*  
 12 *new subchapter:*

13 ***“Subchapter E—Burden of Proof***

*“Sec. 7491. Burden of proof.*

14 ***“SEC. 7491. BURDEN OF PROOF.***

15 *“(a) BURDEN SHIFTS WHERE TAXPAYER PRODUCES*  
 16 *CREDIBLE EVIDENCE.—*

17 *“(1) GENERAL RULE.—If, in any court proceed-*  
 18 *ing, a taxpayer introduces credible evidence with re-*  
 19 *spect to any factual issue relevant to ascertaining the*  
 20 *income tax liability of the taxpayer, the Secretary*  
 21 *shall have the burden of proof with respect to such*  
 22 *issue.*

23 *“(2) LIMITATIONS.—Paragraph (1) shall apply*  
 24 *with respect to an issue only if—*



1           “(A) the taxpayer has complied with the re-  
2           quirements under this title to substantiate any  
3           item,

4           “(B) the taxpayer has maintained all  
5           records required under this title and has cooper-  
6           ated with reasonable requests by the Secretary  
7           for witnesses, information, documents, meetings,  
8           and interviews, and

9           “(C) in the case of a partnership, corpora-  
10          tion, or trust, the taxpayer is described in sec-  
11          tion 7430(c)(4)(A)(ii).

12          “(3) COORDINATION.—Paragraph (1) shall not  
13          apply to any issue if any other provision of this title  
14          provides for a specific burden of proof with respect to  
15          such issue.

16          “(4) EXPANSION TO TAX LIABILITIES OTHER  
17          THAN INCOME TAX.—In the case of court proceedings  
18          arising in connection with examinations commencing  
19          6 months after the date of the enactment of this para-  
20          graph and before June 1, 2001, this subsection shall,  
21          in addition to income tax liability, apply to any  
22          other tax liability of the taxpayer.

23          “(b) USE OF STATISTICAL INFORMATION ON UNRE-  
24          LATED TAXPAYERS.—In the case of an individual taxpayer,  
25          the Secretary shall have the burden of proof in any court

1 *proceeding with respect to any item of income which was*  
 2 *reconstructed by the Secretary solely through the use of sta-*  
 3 *tistical information on unrelated taxpayers.*

4 “(c) *PENALTIES.*—Notwithstanding any other provi-  
 5 sion of this title, the Secretary shall have the burden of pro-  
 6 duction in any court proceeding with respect to the liability  
 7 of any individual for any penalty, addition to tax, or addi-  
 8 tional amount imposed by this title.”.

9 (b) *CONFORMING AMENDMENT.*—The table of sub-  
 10 chapters for chapter 76 is amended by adding at the end  
 11 the following new item:

“SUBCHAPTER E. *Burden of proof.*”.

12 (c) *EFFECTIVE DATE.*—The amendments made by this  
 13 section shall apply to court proceedings arising in connec-  
 14 tion with examinations commencing after the date of the  
 15 enactment of this Act.

## 16 ***Subtitle B—Proceedings by*** 17 ***Taxpayers***

### 18 ***SEC. 3101. EXPANSION OF AUTHORITY TO AWARD COSTS*** 19 ***AND CERTAIN FEES.***

20 (a) *AWARD OF ALL REASONABLE ATTORNEYS FEES.*—

21 (1) *IN GENERAL.*—Section 7430(c)(1) (relating  
 22 to reasonable litigation costs) is amended—

23 (A) by striking clause (iii) of subparagraph

24 (B) and inserting:

1                   “(iii) reasonable fees paid or incurred  
 2                   for the services of attorneys in connection  
 3                   with the court proceeding.”, and  
 4                   (B) by striking the last 2 sentences.

5                   (2)       CONFORMING       AMENDMENT.—Section  
 6                   7430(c)(2)(B) is amended by striking “or (iii)”.

7                   (b) AWARD OF ADMINISTRATIVE COSTS INCURRED  
 8 AFTER 30-DAY LETTER.—Paragraph (2) of section 7430(c)  
 9 is amended by striking the last sentence and inserting the  
 10 following new flush sentence:

11                   “Such term shall only include costs incurred on or  
 12                   after whichever of the following is the earliest: (i) the  
 13                   date of the receipt by the taxpayer of the notice of the  
 14                   decision of the Internal Revenue Service Office of Ap-  
 15                   peals, (ii) the date of the notice of deficiency, or (iii)  
 16                   the date on which the 1st letter of proposed deficiency  
 17                   which allows the taxpayer an opportunity for admin-  
 18                   istrative review in the Internal Revenue Service Of-  
 19                   fice of Appeals is sent.”.

20                   (c) AWARD OF FEES FOR CERTAIN ADDITIONAL SERV-  
 21 ICES.—Paragraph (3) of section 7430(c) is amended to read  
 22 as follows:

23                   “(3) ATTORNEYS FEES.—

24                   “(A) IN GENERAL.—For purposes of para-  
 25                   graphs (1) and (2), fees for the services of an in-

1        *dividual (whether or not an attorney) who is au-*  
 2        *thorized to practice before the Tax Court or be-*  
 3        *fore the Internal Revenue Service shall be treated*  
 4        *as fees for the services of an attorney.*

5                *“(B) PRO BONO SERVICES.—The court may*  
 6        *award reasonable attorneys fees under subsection*  
 7        *(a) in excess of the attorneys fees paid or in-*  
 8        *curred if such fees are less than the reasonable*  
 9        *attorneys fees because an individual is represent-*  
 10       *ing the prevailing party for no fee or for a fee*  
 11       *which (taking into account all the facts and cir-*  
 12       *cumstances) is no more than a nominal fee. This*  
 13       *subparagraph shall apply only if such award is*  
 14       *paid to such individual or such individual’s em-*  
 15       *ployer.”.*

16        *(d) DETERMINATION OF WHETHER POSITION OF*  
 17        *UNITED STATES IS SUBSTANTIALLY JUSTIFIED.—Sub-*  
 18        *paragraph (B) of section 7430(c)(4) is amended by redesign-*  
 19        *ating clause (iii) as clause (iv) and by inserting after*  
 20        *clause (ii) the following new clause:*

21                *“(iii) EFFECT OF LOSING ON SUBSTAN-*  
 22        *TIALLY SIMILAR ISSUES.—In determining*  
 23        *for purposes of clause (i) whether the posi-*  
 24        *tion of the United States was substantially*  
 25        *justified, the court shall take into account*

1                   *whether the United States has lost in courts*  
 2                   *of appeal for other circuits on substantially*  
 3                   *similar issues.”.*

4           (e) *TAXPAYER TREATED AS PREVAILING IF JUDGMENT*  
 5 *IS LESS THAN TAXPAYER’S OFFER.—*

6                   (1) *IN GENERAL.—Section 7430(c)(4) (defining*  
 7                   *prevailing party) is amended by adding at the end*  
 8                   *the following new subparagraph:*

9                           “(E) *SPECIAL RULES WHERE JUDGMENT*  
 10                   *LESS THAN TAXPAYER’S OFFER.—*

11                                   “(i) *IN GENERAL.—A party to a court*  
 12                                   *proceeding meeting the requirements of sub-*  
 13                                   *paragraph (A)(ii) shall be treated as the*  
 14                                   *prevailing party if the liability of the tax-*  
 15                                   *payer pursuant to the judgment in the pro-*  
 16                                   *ceeding (determined without regard to inter-*  
 17                                   *est) is equal to or less than the liability of*  
 18                                   *the taxpayer which would have been so de-*  
 19                                   *termined if the United States had accepted*  
 20                                   *a qualified offer of the party under sub-*  
 21                                   *section (g).*

22                                   “(ii) *EXCEPTIONS.—This subpara-*  
 23                                   *graph shall not apply to—*

24   “(I) *any judgment issued pursu-*  
 25   *ant to a settlement, or*

1                   “(II) any proceeding in which the  
2                   amount of tax liability is not in issue,  
3                   including any declaratory judgment  
4                   proceeding, any proceeding to enforce  
5                   or quash any summons issued pursu-  
6                   ant to this title, and any action to re-  
7                   strain disclosure under section 6110(f).

8                   “(iii) *SPECIAL RULES.*—If this sub-  
9                   paragraph applies to any court proceed-  
10                  ing—

11                   “(I) the determination under  
12                   clause (i) shall be made by reference to  
13                   the last qualified offer made with re-  
14                   spect to the tax liability at issue in the  
15                   proceeding, and

16                   “(II) reasonable administrative  
17                   and litigation costs shall only include  
18                   costs incurred on and after the date of  
19                   such offer.

20                   “(iv) *COORDINATION.*—This subpara-  
21                   graph shall not apply to a party which is  
22                   a prevailing party under any other provi-  
23                   sion of this paragraph.”.

24                   (2) *QUALIFIED OFFER.*—Section 7430 is amend-  
25                   ed by adding at the end the following new subsection:

1       “(g) *QUALIFIED OFFER.*—For purposes of subsection  
2 (c)(4)—

3               “(1) *IN GENERAL.*—The term ‘qualified offer’  
4 means a written offer which—

5                       “(A) is made by the taxpayer to the United  
6 States during the qualified offer period,

7                       “(B) specifies the amount of the taxpayer’s  
8 liability (determined without regard to interest),

9                       “(C) is designated at the time it is made as  
10 a qualified offer for purposes of this section, and

11                       “(D) remains open during the period begin-  
12 ning on the date it is made and ending on the  
13 earliest of the date the offer is rejected, the date  
14 the trial begins, or the 90th day after the date  
15 the offer is made.

16               “(2) *QUALIFIED OFFER PERIOD.*—For purposes  
17 of this subsection, the term ‘qualified offer period’  
18 means the period—

19                       “(A) beginning on the date on which the 1st  
20 letter of proposed deficiency which allows the  
21 taxpayer an opportunity for administrative re-  
22 view in the Internal Revenue Service Office of  
23 Appeals is sent, and

24                       “(B) ending on the date which is 30 days  
25 before the date the case is first set for trial.”.

1       (f) *AWARD OF ATTORNEYS FEES IN UNAUTHORIZED*  
 2 *INSPECTION AND DISCLOSURE CASES.*—Section 7431(c)  
 3 *(relating to damages) is amended by striking the period at*  
 4 *the end of paragraph (2) and inserting “, plus”, and by*  
 5 *adding at the end the following new paragraph:*

6               “(3) *in the case of a plaintiff which is described*  
 7 *in section 7430(c)(4)(A)(ii), reasonable attorneys fees,*  
 8 *except that if the defendant is the United States, rea-*  
 9 *sonable attorneys fees may be awarded only if the*  
 10 *plaintiff is the prevailing party (as determined under*  
 11 *section 7430(c)(4)).”.*

12       (g) *EFFECTIVE DATE.*—*The amendments made by this*  
 13 *section shall apply to costs incurred (and, in the case of*  
 14 *the amendment made by subsection (c), services performed)*  
 15 *more than 180 days after the date of the enactment of this*  
 16 *Act.*

17 **SEC. 3102. CIVIL DAMAGES FOR COLLECTION ACTIONS.**

18       (a) *EXTENSION TO NEGLIGENCE ACTIONS.*—

19               (1) *IN GENERAL.*—Section 7433 *(relating to civil*  
 20 *damages for certain unauthorized collection actions)*  
 21 *is amended—*

22                       (A) *in subsection (a), by inserting “, or by*  
 23 *reason of negligence,” after “recklessly or inten-*  
 24 *tionally”, and*

25                       (B) *in subsection (b)—*



1                   (i) in the matter preceding paragraph  
 2                   (1), by inserting “(\$100,000, in the case of  
 3                   negligence)” after “\$1,000,000”, and  
 4                   (ii) in paragraph (1), by inserting “or  
 5                   negligent” after “reckless or intentional”.

6                   (2) *REQUIREMENT THAT ADMINISTRATIVE REM-*  
 7                   *EDIES BE EXHAUSTED.*—Paragraph (1) of section  
 8                   7433(d) is amended to read as follows:

9                   “(1) *REQUIREMENT THAT ADMINISTRATIVE REM-*  
 10                   *EDIES BE EXHAUSTED.*—A judgment for damages  
 11                   shall not be awarded under subsection (b) unless the  
 12                   court determines that the plaintiff has exhausted the  
 13                   administrative remedies available to such plaintiff  
 14                   within the Internal Revenue Service.”.

15                   (b) *DAMAGES ALLOWED IN CIVIL ACTIONS BY PER-*  
 16                   *SONS OTHER THAN TAXPAYERS.*—Section 7426 is amended  
 17                   by redesignating subsection (h) as subsection (i) and by  
 18                   adding after subsection (g) the following new subsection:

19                   “(h) *RECOVERY OF DAMAGES PERMITTED IN CERTAIN*  
 20                   *CASES.*—

21                   “(1) *IN GENERAL.*—Notwithstanding subsection  
 22                   (b), if, in any action brought under this section, there  
 23                   is a finding that any officer or employee of the Inter-  
 24                   nal Revenue Service recklessly or intentionally, or by  
 25                   reason of negligence, disregarded any provision of this

1     *title the defendant shall be liable to the plaintiff in*  
 2     *an amount equal to the lesser of \$1,000,000 (\$100,000*  
 3     *in the case of negligence) or the sum of—*

4             *“(A) actual, direct economic damages sus-*  
 5             *tained by the plaintiff as a proximate result of*  
 6             *the reckless or intentional or negligent actions of*  
 7             *the officer or employee (reduced by any amount*  
 8             *of such damages awarded under subsection (b)),*  
 9             *and*

10            *“(B) the costs of the action.*

11            *“(2) REQUIREMENT THAT ADMINISTRATIVE REM-*  
 12            *EDIES BE EXHAUSTED.—A judgment for damages*  
 13            *shall not be awarded under this section unless the*  
 14            *court determines that the plaintiff has exhausted the*  
 15            *administrative remedies available to such plaintiff*  
 16            *within the Internal Revenue Service.”.*

17     *(c) CIVIL DAMAGES FOR IRS VIOLATIONS OF BANK-*  
 18     *RUPTCY PROCEDURES.—*

19            *(1) IN GENERAL.—Section 7433 (relating to civil*  
 20            *damages for certain unauthorized collection actions)*  
 21            *is amended by adding at the end the following new*  
 22            *subsection:*

23            *“(e) ACTIONS FOR VIOLATIONS OF CERTAIN BANK-*  
 24     *RUPTCY PROCEDURES.—*

1           “(1) *IN GENERAL.*—*If, in connection with any*  
2           *collection of Federal tax with respect to a taxpayer,*  
3           *any officer or employee of the Internal Revenue Serv-*  
4           *ice willfully violates any provision of section 362 (re-*  
5           *lating to automatic stay) or 524 (relating to effect of*  
6           *discharge) of title 11, United States Code, or any reg-*  
7           *ulation promulgated under such section, such tax-*  
8           *payer may petition the bankruptcy court to recover*  
9           *damages against the United States.*

10           “(2) *REMEDY TO BE EXCLUSIVE.*—

11           “(A) *IN GENERAL.*—*Except as provided in*  
12           *subparagraph (B), notwithstanding section 105*  
13           *of such title 11, such petition shall be the exclu-*  
14           *sive remedy for recovering damages resulting*  
15           *from such actions.*

16           “(B) *CERTAIN OTHER ACTIONS PER-*  
17           *MITTED.*—*Subparagraph (A) shall not apply to*  
18           *an action under section 362(h) of such title 11*  
19           *for a violation of a stay provided by section 362*  
20           *of such title; except that—*

21           “(i) *administrative and litigation costs*  
22           *in connection with such an action may only*  
23           *be awarded under section 7430, and*

1                   “(ii) administrative costs may be  
2                   awarded only if incurred on or after the  
3                   date that the bankruptcy petition is filed.”.

4                   (2) *CONFORMING AMENDMENT.*—Subsection (b)  
5                   of section 7433 is amended by inserting “or petition  
6                   filed under subsection (e)” after “subsection (a)”.

7                   (d) *EFFECTIVE DATE.*—The amendments made by this  
8                   section shall apply to actions of officers or employees of the  
9                   Internal Revenue Service after the date of the enactment  
10                  of this Act.

11   **SEC. 3103. INCREASE IN SIZE OF CASES PERMITTED ON**  
12                   **SMALL CASE CALENDAR.**

13                  (a) *IN GENERAL.*—Section 7463 (relating to disputes  
14                  involving \$10,000 or less) is amended by striking “\$10,000”  
15                  each place it appears (including the section heading) and  
16                  inserting “\$50,000”.

17                  (b) *CONFORMING AMENDMENTS.*—

18                         (1) Sections 7436(c)(1) and 7443A(b)(3) are each  
19                         amended by striking “\$10,000” and inserting  
20                         “\$50,000”.

21                         (2) The table of sections for part II of subchapter  
22                         C of chapter 76 is amended by striking “\$10,000” in  
23                         the item relating to section 7463 and inserting  
24                         “\$50,000”.

1       (c) *EFFECTIVE DATE.*—*The amendments made by this*  
 2 *section shall apply to proceedings commencing after the*  
 3 *date of the enactment of this Act.*

4       **SEC. 3104. EXPANSION OF TAX COURT JURISDICTION TO**  
 5               **RESPONSIBLE PERSON PENALTIES.**

6       (a) *IN GENERAL.*—*Section 6672 (relating to failure to*  
 7 *collect and pay over tax, or attempt to evade or defeat tax)*  
 8 *is amended by redesignating subsections (c), (d), and (e)*  
 9 *as subsections (d), (e), and (f), respectively, and by insert-*  
 10 *ing after subsection (b) the following new subsection:*

11       “(c) *PETITION FOR REVIEW BY TAX COURT.*—

12               “(1) *IN GENERAL.*—*A person may petition the*  
 13 *Tax Court (and the Tax Court shall have jurisdic-*  
 14 *tion) to determine the person’s liability under sub-*  
 15 *section (a) if such petition is filed during the 90-day*  
 16 *period beginning on the day on which notice and de-*  
 17 *mand of the penalty under subsection (a) is made on*  
 18 *such person.*

19               “(2) *RESTRICTIONS APPLICABLE TO COLLECTION*  
 20 *OF ASSESSMENT.*—

21               “(A) *IN GENERAL.*—*Except as otherwise*  
 22 *provided in section 6851 or 6861, no levy or pro-*  
 23 *ceeding in court for collection of any assessment*  
 24 *of any penalty under subsection (a) shall be*  
 25 *made, begun, or prosecuted until the expiration*

1        *of the 90-day period described in paragraph (1),*  
2        *or, if a petition has been filed with the Tax*  
3        *Court, until the decision of the Tax Court has be-*  
4        *come final. Rules similar to the rules of section*  
5        *7485 shall apply with respect to the collection of*  
6        *such assessment.*

7                *“(B) AUTHORITY TO ENJOIN COLLECTION*  
8        *ACTIONS.—Notwithstanding the provisions of sec-*  
9        *tion 7421(a), the beginning of any levy or pro-*  
10        *ceeding in court for collection of any assessment*  
11        *of any penalty under subsection (a) during the*  
12        *time the prohibition under subparagraph (A) is*  
13        *in force may be enjoined by a proceeding in the*  
14        *proper court, including the Tax Court. The Tax*  
15        *Court shall have no jurisdiction under this sub-*  
16        *paragraph to enjoin any action or proceeding*  
17        *unless a timely petition has been filed under*  
18        *paragraph (1) and then only in respect of the*  
19        *amount of the assessment to which such petition*  
20        *relates.*

21                *“(3) SUSPENSION OF RUNNING OF PERIOD OF*  
22        *LIMITATIONS.—The running of the period of limita-*  
23        *tions in section 6502 on the collection of the assess-*  
24        *ment to which the petition under paragraph (1) re-*  
25        *lates shall be suspended for the period during which*

1     *the Secretary is prohibited by paragraph (2)(A) from*  
 2     *collecting by levy or a proceeding in court and for 60*  
 3     *days thereafter.*

4             “(4) *APPLICABLE RULES.*—

5                 “(A) *CREDIT OR REFUND ALLOWED.*—*Not-*  
 6     *withstanding any other law or rule of law (other*  
 7     *than section 6512(b), 7121, or 7122), credit or*  
 8     *refund shall be allowed or made to the extent at-*  
 9     *tributable to the application of this subsection.*

10                “(B) *LIMITATION ON TAX COURT JURISDIC-*  
 11     *TION.*—*If a suit for refund is begun, the Tax*  
 12     *Court shall lose jurisdiction of the action under*  
 13     *this subsection to whatever extent jurisdiction is*  
 14     *acquired by the district court or the United*  
 15     *States Court of Federal Claims over the taxable*  
 16     *periods that are the subject of the suit for re-*  
 17     *fund.”.*

18           (b) *CONFORMING AMENDMENTS.*—

19                (1) *Section 7103(a)(4) is amended by striking*  
 20     *“6672(b)” and inserting “6672(d)”.*

21                (2) *Section 7421(a) is amended by striking*  
 22     *“6672(b)” and inserting “6672 (c) and (d)”.*

23           (c) *EFFECTIVE DATE.*—*The amendments made by this*  
 24     *section shall apply to penalties imposed after the date of*  
 25     *the enactment of this Act.*

1 **SEC. 3105. ACTIONS FOR REFUND WITH RESPECT TO CER-**  
 2 **TAIN ESTATES WHICH HAVE ELECTED THE IN-**  
 3 **STALLMENT METHOD OF PAYMENT.**

4 (a) *IN GENERAL.*—Section 7422 is amended by redes-  
 5 ignating subsection (j) as subsection (k) and by inserting  
 6 after subsection (i) the following new subsection:

7 “(j) *SPECIAL RULE FOR ACTIONS WITH RESPECT TO*  
 8 *ESTATES FOR WHICH AN ELECTION UNDER SECTION 6166*  
 9 *IS MADE.*—

10 “(1) *IN GENERAL.*—The district courts of the  
 11 United States and the United States Court of Federal  
 12 Claims shall not fail to have jurisdiction over any ac-  
 13 tion brought by the representative of an estate to  
 14 which this subsection applies to determine the correct  
 15 amount of the estate tax liability of such estate (or for  
 16 any refund with respect thereto) solely because the full  
 17 amount of such liability has not been paid by reason  
 18 of an election under section 6166 with respect to such  
 19 estate.

20 “(2) *ESTATES TO WHICH SUBSECTION AP-*  
 21 *PLIES.*—This subsection shall apply to any estate if,  
 22 as of the date the action is filed—

23 “(A) no portion of the installments payable  
 24 under section 6166 have been accelerated,



1           “(B) all such installments the due date for  
2           which is on or before the date the action is filed  
3           have been paid,

4           “(C) there is no case pending in the Tax  
5           Court with respect to the tax imposed by section  
6           2001 on the estate and, if a notice of deficiency  
7           under section 6212 with respect to such tax has  
8           been issued, the time for filing a petition with  
9           the Tax Court with respect to such notice has ex-  
10          pired, and

11          “(D) no proceeding for declaratory judg-  
12          ment under section 7479 is pending.

13          “(3) *PROHIBITION ON COLLECTION OF DIS-*  
14          *ALLOWED LIABILITY.*—If the court redetermines under  
15          paragraph (1) the estate tax liability of an estate, no  
16          part of such liability which is disallowed by a deci-  
17          sion of such court which has become final may be col-  
18          lected by the Secretary, and amounts paid in excess  
19          of the installments determined by the court as cur-  
20          rently due and payable shall be refunded.”.

21          (b) *EXTENSION OF TIME TO FILE REFUND SUIT.*—  
22          Section 7479 (relating to declaratory judgments relating to  
23          eligibility of estate with respect to installment payments  
24          under section 6166) is amended by adding at the end the  
25          following new subsection:

1       “(c) *EXTENSION OF TIME TO FILE REFUND SUIT.*—  
 2   *The 2-year period in section 6532(a)(1) for filing suit for*  
 3   *refund after disallowance of a claim shall be suspended dur-*  
 4   *ing the 90-day period after the mailing of the notice referred*  
 5   *to in subsection (b)(3) and, if a pleading has been filed with*  
 6   *the Tax Court under this section, until the decision of the*  
 7   *Tax Court has become final.”.*

8       (c) *EFFECTIVE DATE.*—*The amendments made by this*  
 9   *section shall apply to any claim for refund filed after the*  
 10   *date of the enactment of this Act.*

11   **SEC. 3106. TAX COURT JURISDICTION TO REVIEW ADVERSE**  
 12                   **IRS DETERMINATION OF TAX-EXEMPT STATUS**  
 13                   **OF BOND ISSUE.**

14       (a) *IN GENERAL.*—*Section 7478 (relating to declara-*  
 15   *tory judgments relating to status of certain governmental*  
 16   *obligations) is amended—*

17               (1) *by striking “prospective obligations will be”*  
 18       *both places it appears in subsection (a) and inserting*  
 19       *“previously issued or prospective obligations is or will*  
 20       *be”, and*

21               (2) *by striking subsection (b)(1) and inserting*  
 22       *the following:*

23               “(1) *PETITIONER.*—*Except as provided in sub-*  
 24       *section (c), a pleading may be filed under this section*  
 25       *only by the issuer or prospective issuer.”.*

1       (b) *NOTICE REQUIREMENT.*—Section 7478(b) is  
2 amended by adding at the end the following:

3               “(4) *NOTICE TO HOLDERS OF PREVIOUSLY*  
4 *ISSUED OBLIGATIONS.*—

5               “(A) *IN GENERAL.*—If an issuer of pre-  
6 viously issued obligations files a pleading under  
7 this section, the court shall not issue a declara-  
8 tory judgment or decree under this section unless  
9 it determines that the petitioner has provided  
10 adequate notice to holders of such obligations  
11 within 10 days of the filing of the pleading.

12               “(B) *DELIVERY OF NOTICE.*—The notice  
13 under subparagraph (A) shall be given using the  
14 most practicable of the following methods:

15                       “(i) *In person.*

16                       “(ii) *By certified or registered mail*  
17 *sent to the holder’s last known address.*

18                       “(iii) *By printing in appropriate pub-*  
19 *lications.*

20               “(C) *CONTENTS OF THE NOTICE.*—The no-  
21 tice under subparagraph (A) shall include a  
22 statement of the holder’s right to intervene in,  
23 and participate in, any proceeding under this  
24 section with respect to obligations held or for-  
25 merly held by the holder.”.

1       (c) *INTERVENTION; OTHER RULES.*—Section 7478 is  
 2   amended by adding at the end the following:

3       “(c) *BONDHOLDER INTERVENTION.*—If an issuer of  
 4   previously issued obligations files a pleading under this sec-  
 5   tion, then the Tax Court shall permit any person who dem-  
 6   onstrates to the satisfaction of the court that such person  
 7   was or is a holder of any of such previously issued obliga-  
 8   tions to intervene in, and participate in, the proceedings  
 9   before the court with respect to such pleading, on such terms  
 10   and conditions as shall be established by the court.

11       “(d) *PERIOD OF LIMITATIONS, COLLECTION, AND IM-*  
 12   *POSITION OF INTEREST AND PENALTIES STAYED PENDING*  
 13   *CONCLUSION OF PROCEEDINGS.*—

14               “(1) *IN GENERAL.*—If an issuer of previously  
 15   issued obligations files a pleading under this sec-  
 16   tion—

17                       “(A) the running of the period of limita-  
 18                       tions in sections 6501 and 6502 on the assess-  
 19                       ment and the collection of any tax due by a per-  
 20                       son (whether or not a party to a proceeding  
 21                       under this section) on the interest paid on such  
 22                       previously issued obligations,

23                       “(B) the collection of such tax due, and

1           “(C) the imposition of any interest, pen-  
 2           alties, additions to tax, or additional amounts in  
 3           respect to any such unpaid tax,  
 4           shall be suspended from the date of such filing until  
 5           the date on which the decision of the Tax Court be-  
 6           comes final.

7           “(2) CROSS REFERENCE.—

**“For additional suspension of running of period of  
 limitation, see section 6503.”.**

8           (d) EFFECTIVE DATE; SPECIAL RULE.—

9           (1) EFFECTIVE DATE.—Except as provided in  
 10          paragraph (2), the amendments made by this section  
 11          shall apply to determinations made after the date of  
 12          the enactment of this Act.

13          (2) SPECIAL RULE.—Notwithstanding section  
 14          7478(b)(3) of the Internal Revenue Code of 1986, in  
 15          the case of a technical advice memorandum which—

16                (A) provides that any interest on any obli-  
 17                gation which is part of an issue (or portion  
 18                thereof) is not exempt from taxation under the  
 19                Internal Revenue Code of 1986, and

20                (B) was publicly released within 1 year of  
 21                the date of the enactment of this Act,  
 22          a pleading may be filed under section 7478 of such  
 23          Code with respect to such memorandum not later  
 24          than the 90th day after such date.

1 **SEC. 3107. CIVIL ACTION FOR RELEASE OF ERRONEOUS**  
2 **LIEN.**

3 (a) *RIGHT OF SUBSTITUTION OF VALUE.*—Subsection  
4 (b) of section 6325 (relating to release of lien or discharge  
5 of property) is amended by adding at the end the following  
6 new paragraph:

7 “(4) *RIGHT OF SUBSTITUTION OF VALUE.*—

8 “(A) *IN GENERAL.*—At the request of the  
9 owner of any property subject to any lien im-  
10 posed by this chapter, the Secretary shall issue  
11 a certificate of discharge of such property if such  
12 owner—

13 “(i) deposits with the Secretary an  
14 amount of money equal to the value of the  
15 interest of the United States (as determined  
16 by the Secretary) in the property, or

17 “(ii) furnishes a bond acceptable to the  
18 Secretary in a like amount.

19 “(B) *REFUND OF DEPOSIT WITH INTEREST*  
20 *AND RELEASE OF BOND.*—The Secretary shall re-  
21 fund the amount so deposited (and shall pay in-  
22 terest at the overpayment rate under section  
23 6621), and shall release such bond, to the extent  
24 that the Secretary determines that—

1           “(i) the unsatisfied liability giving rise  
2           to the lien can be satisfied from a source  
3           other than such property, or

4           “(ii) the value of the interest of the  
5           United States in the property is less than  
6           the Secretary’s prior determination of such  
7           value.

8           “(C) *USE OF DEPOSIT, ETC., IF ACTION TO*  
9           *CONTEST LIEN NOT FILED.*—If no action is filed  
10          under section 7426(a)(4) within the period pre-  
11          scribed therefor, the Secretary shall, within 60  
12          days after the expiration of such period—

13          “(i) apply the amount deposited, or  
14          collect on such bond, to the extent necessary  
15          to satisfy the unsatisfied liability secured by  
16          the lien, and

17          “(ii) refund (with interest as described  
18          in subparagraph (B)) any portion of the  
19          amount deposited which is not used to sat-  
20          isfy such liability.

21          “(D) *EXCEPTION.*—Subparagraph (A) shall  
22          not apply if the owner of the property is the per-  
23          son whose unsatisfied liability gave rise to the  
24          lien.”.

25          (b) *CIVIL ACTION TO RELEASE ERRONEOUS LIEN.*—

1           (1) *IN GENERAL.*—Subsection (a) of section 7426  
 2           (relating to civil actions by persons other than tax-  
 3           payers) is amended by adding at the end the follow-  
 4           ing new paragraph:

5           “(4) *SUBSTITUTION OF VALUE.*—If a certificate  
 6           of discharge is issued to any person under section  
 7           6325(b)(4) with respect to any property, such person  
 8           may, within 120 days after the day on which such  
 9           certificate is issued, bring a civil action against the  
 10          United States in a district court of the United States  
 11          for a determination of whether the value of the inter-  
 12          est of the United States (if any) in such property is  
 13          less than the value determined by the Secretary. No  
 14          other action may be brought by such person for such  
 15          a determination.”.

16          (2) *FORM OF RELIEF.*—

17                 (A) *IN GENERAL.*—Subsection (b) of section  
 18                 7426 is amended by adding at the end the fol-  
 19                 lowing new paragraph:

20                 “(5) *SUBSTITUTION OF VALUE.*—If the court de-  
 21                 termines that the Secretary’s determination of the  
 22                 value of the interest of the United States in the prop-  
 23                 erty for purposes of section 6325(b)(4) exceeds the ac-  
 24                 tual value of such interest, the court shall grant a  
 25                 judgment ordering a refund of the amount deposited,



1        *and a release of the bond, to the extent that the aggregate of the amounts thereof exceeds such value determined by the court.”.*

4                *(B) INTEREST ALLOWED ON REFUND OF DEPOSIT.—Subsection (g) of section 7426 is amended by striking “and” at the end of paragraph (1), by striking the period at the end of paragraph (2) and inserting “; and”, and by adding at the end the following new paragraph:*

10              *“(3) in the case of a judgment pursuant to subsection (b)(5) which orders a refund of any amount, from the date the Secretary received such amount to the date of payment of such judgment.”.*

14              *(3) SUSPENSION OF RUNNING OF STATUTE OF LIMITATION.—Subsection (f) of section 6503 is amended to read as follows:*

17              *“(f) WRONGFUL SEIZURE OF OR LIEN ON PROPERTY*  
18 *OF THIRD PARTY.—*

19              *“(1) WRONGFUL SEIZURE.—The running of the*  
20 *period under section 6502 shall be suspended for a period equal to the period from the date property (including money) of a third party is wrongfully seized*  
21 *or received by the Secretary to the date the Secretary*  
22 *returns property pursuant to section 6343(b) or the*  
23 *date on which a judgment secured pursuant to section*  
24  
25

1       7426 with respect to such property becomes final, and  
 2       for 30 days thereafter. The running of such period  
 3       shall be suspended under this paragraph only with re-  
 4       spect to the amount of such assessment equal to the  
 5       amount of money or the value of specific property re-  
 6       turned.

7               “(2) *WRONGFUL LIEN.*—In the case of any as-  
 8       sessment for which a lien was made on any property,  
 9       the running of the period under section 6502 shall be  
 10      suspended for a period equal to the period beginning  
 11      on the date any person becomes entitled to a certifi-  
 12      cate under section 6325(b)(4) with respect to such  
 13      property and ending on the date which is 30 days  
 14      after the earlier of—

15             “(A) the earliest date on which the Sec-  
 16       retary no longer holds any amount as a deposit  
 17       or bond provided under section 6325(b)(4) by  
 18       reason of such deposit or bond being used to sat-  
 19       isfy the unpaid tax or being refunded or released,  
 20       or

21             “(B) the date that the judgment secured  
 22       under section 7426(b)(5) becomes final.

23       The running of such period shall be suspended under  
 24       this paragraph only with respect to the amount of  
 25       such assessment equal to the value of the interest of

1     *the United States in the property plus interest, pen-*  
 2     *alties, additions to the tax, and additional amounts*  
 3     *attributable thereto.”.*

4     (c) *EFFECTIVE DATE.*—*The amendments made by this*  
 5     *section shall take effect on the date of the enactment of this*  
 6     *Act.*

7     ***Subtitle C—Relief for Innocent***  
 8     ***Spouses and for Taxpayers Un-***  
 9     ***able To Manage Their Financial***  
 10    ***Affairs Due to Disabilities***

11    ***SEC. 3201. SPOUSAL ELECTION TO LIMIT JOINT AND SEV-***  
 12    ***ERAL LIABILITY ON JOINT RETURN.***

13     (a) *IN GENERAL.*—*Subpart B of part II of subchapter*  
 14     *A of chapter 61 is amended by inserting after section 6014*  
 15     *the following new section:*

16    ***“SEC. 6015. ELECTION TO LIMIT JOINT AND SEVERAL LI-***  
 17    ***ABILITY ON JOINT RETURN.***

18     ***“(a) ELECTION TO LIMIT LIABILITY.—***

19         ***“(1) IN GENERAL.***—*Notwithstanding section*  
 20         *6013(d)(3), and except as provided in paragraphs (2)*  
 21         *and (3), if an individual who has made a joint re-*  
 22         *turn for any taxable year elects the application of this*  
 23         *section—*

24                 ***“(A) the individual’s liability for any tax***  
 25                 *shown on the return which remains unpaid as of*

1        *the payment due date shall not exceed the indi-*  
2        *vidual's separate return amount determined*  
3        *under subsection (b), and*

4                *“(B) the individual's liability for any defi-*  
5        *ciency which is assessed shall not exceed the por-*  
6        *tion of such deficiency properly allocable to the*  
7        *individual under subsection (c).*

8                *“(2) BURDEN OF PROOF.—Except as provided in*  
9        *paragraph (3) (B) or (C), each individual who elects*  
10       *the application of this section shall have the burden*  
11       *of proof with respect to establishing the individual's*  
12       *separate return amount and the portion of any defi-*  
13       *ciency allocable to such individual.*

14                *“(3) ELECTION.—*

15                *“(A) IN GENERAL.—An election under this*  
16       *subsection for any taxable year shall be made not*  
17       *later than 2 years after the date on which the*  
18       *Secretary has begun collection activities with re-*  
19       *spect to the individual making the election.*

20                *“(B) CERTAIN TAXPAYERS INELIGIBLE TO*  
21       *ELECT.—If the Secretary demonstrates that as-*  
22       *sets were transferred between individuals filing a*  
23       *joint return as part of a fraudulent scheme by*  
24       *such individuals, an election under this section*

1           *by either individual shall be invalid (and section*  
 2           *6013(d)(3) shall apply to the joint return).*

3           “(C) *ELECTION NOT VALID WITH RESPECT*  
 4           *TO CERTAIN DEFICIENCIES.—If the Secretary*  
 5           *demonstrates that an individual making an elec-*  
 6           *tion under this section had actual knowledge, at*  
 7           *the time such individual signed the return, of*  
 8           *any item giving rise to a deficiency (or portion*  
 9           *thereof) which is not allocable to such individual*  
 10           *under subsection (c), such election shall not*  
 11           *apply to such deficiency (or portion). This sub-*  
 12           *paragraph shall not apply where the individual*  
 13           *with actual knowledge establishes that such indi-*  
 14           *vidual signed the return under duress.*

15           “(b) *SEPARATE RETURN AMOUNT.—For purposes of*  
 16           *this section—*

17           “(1) *IN GENERAL.—The term ‘separate return*  
 18           *amount’ means, with respect to an individual, an*  
 19           *amount equal to the excess (if any) of—*

20           “(A) *the tax liability of the individual*  
 21           *which would have been determined (on the basis*  
 22           *of the items shown on the joint return) for the*  
 23           *taxable year if the individual had filed a sepa-*  
 24           *rate return, over*

1           “(B) the aggregate payments of such tax  
2           properly allocable to such individual.

3           “(2) SPECIAL RULES FOR COMPUTING TAX LI-  
4           ABILITIES AND PAYMENT.—

5           “(A) TREATMENT OF CERTAIN CREDITS.—  
6           The credits allowed by sections 31, 33, and 34  
7           for any taxable year—

8           “(i) shall not be taken into account in  
9           determining the amount of tax shown on a  
10          return or the tax liability of an individual  
11          filing a separate return, but

12          “(ii) shall be taken into account in de-  
13          termining the aggregate payments of tax of  
14          the individual to whom such credits are  
15          properly allocable.

16          “(B) MATHEMATICAL AND CLERICAL ER-  
17          RORS.—Tax shown on a return shall include any  
18          tax assessed on account of a mathematical or  
19          clerical error (within the meaning of section  
20          6213(g)(2)) appearing on the return.

21          “(3) PAYMENT DUE DATE.—The term ‘payment  
22          due date’ means the date prescribed for payment of  
23          the tax (determined with regard to any extension of  
24          time for payment).

1       “(c) *ALLOCATION OF DEFICIENCY.*—For purposes of  
2   *subsection (a)(1)(B)*—

3               “(1) *IN GENERAL.*—The portion of any defi-  
4   *ciency on a joint return allocated to an individual*  
5   *shall be the amount which bears the same ratio to*  
6   *such deficiency as the net amount of items taken into*  
7   *account in computing the deficiency and allocable to*  
8   *the individual under paragraph (3) bears to the net*  
9   *amount of all items taken into account in computing*  
10   *the deficiency.*

11              “(2) *SEPARATE TREATMENT OF CERTAIN*  
12   *ITEMS.*—If a deficiency (or portion thereof) is attrib-  
13   *utable to—*

14                   “(A) *the disallowance of a credit, or*

15                   “(B) *any tax (other than tax imposed by*  
16                   *section 1 or 55) required to be included with the*  
17                   *joint return,*

18   *and such item is allocated to 1 individual under*  
19   *paragraph (3), such deficiency (or portion) shall be*  
20   *allocated to such individual. Any such item shall not*  
21   *be taken into account under paragraph (1).*

22              “(3) *ALLOCATION OF ITEMS GIVING RISE TO THE*  
23   *DEFICIENCY.*—For purposes of this subsection—

24                   “(A) *IN GENERAL.*—Any item giving rise to  
25                   *a deficiency on a joint return shall be allocated*

1       to individuals filing the return in the same man-  
 2       ner as it would have been allocated if the indi-  
 3       viduals had filed separate returns for the taxable  
 4       year.

5               “(B) *EXCEPTION WHERE OTHER SPOUSE*  
 6       *BENEFITS.*—Under rules prescribed by the Sec-  
 7       retary, an item otherwise allocable to an individ-  
 8       ual under subparagraph (A) shall be allocated to  
 9       the other individual filing the joint return to the  
 10      extent the item gave rise to a tax benefit on the  
 11      joint return to the other individual.

12              “(C) *EXCEPTION FOR FRAUD.*—The Sec-  
 13      retary may provide for an allocation of any item  
 14      in a manner not prescribed by subparagraph (A)  
 15      if the Secretary establishes that such allocation is  
 16      appropriate due to fraud of 1 or both individ-  
 17      uals.

18      “(d) *PETITION FOR REVIEW BY TAX COURT.*—

19              “(1) *IN GENERAL.*—In the case of an individual  
 20      who elects to have this section apply—

21              “(A) *IN GENERAL.*—The individual may pe-  
 22      tition the Tax Court (and the Tax Court shall  
 23      have jurisdiction) to determine the appropriate  
 24      relief available to the individual under this sec-  
 25      tion if such petition is filed during the 90-day



1        *period beginning on the date on which the Sec-*  
2        *retary mails by certified or registered mail a no-*  
3        *tice to such individual of the Secretary's deter-*  
4        *mination of relief available to the spouse. Not-*  
5        *withstanding the preceding sentence, an individ-*  
6        *ual may file such petition at any time after the*  
7        *date which is 6 months after the date such elec-*  
8        *tion is filed with the Secretary and before the*  
9        *close of such 90-day period.*

10                *“(B) RESTRICTIONS APPLICABLE TO COL-*  
11                *LECTION OF ASSESSMENT.—*

12                        *“(i) IN GENERAL.—Except as otherwise*  
13                        *provided in section 6851 or 6861, no levy or*  
14                        *proceeding in court shall be made, begun, or*  
15                        *prosecuted against the spouse making an*  
16                        *election under subsection (a) for collection of*  
17                        *any assessment to which such election re-*  
18                        *lates until the expiration of the 90-day pe-*  
19                        *riod described in subparagraph (A), or, if a*  
20                        *petition has been filed with the Tax Court,*  
21                        *until the decision of the Tax Court has be-*  
22                        *come final. Rules similar to the rules of sec-*  
23                        *tion 7485 shall apply with respect to the*  
24                        *collection of such assessment.*

1                   “(ii) *AUTHORITY TO ENJOIN COLLEC-*  
2                   *TION ACTIONS.*—*Notwithstanding the provi-*  
3                   *sions of section 7421(a), the beginning of*  
4                   *such levy or proceeding during the time the*  
5                   *prohibition under clause (i) is in force may*  
6                   *be enjoined by a proceeding in the proper*  
7                   *court, including the Tax Court. The Tax*  
8                   *Court shall have no jurisdiction under this*  
9                   *subparagraph to enjoin any action or pro-*  
10                   *ceeding unless a timely petition has been*  
11                   *filed under subparagraph (A) and then only*  
12                   *in respect of the amount of the assessment*  
13                   *to which the election under subsection (a)*  
14                   *relates.*

15                   “(2) *SUSPENSION OF RUNNING OF PERIOD OF*  
16                   *LIMITATIONS.*—*The running of the period of limita-*  
17                   *tions in section 6502 on the collection of the assess-*  
18                   *ment to which the petition under paragraph (1)(A)*  
19                   *relates shall be suspended for the period during which*  
20                   *the Secretary is prohibited by paragraph (1)(B) from*  
21                   *collecting by levy or a proceeding in court and for 60*  
22                   *days thereafter.*

23                   “(3) *APPLICABLE RULES.*—

24                   “(A) *ALLOWANCE OF CREDIT OR REFUND.*—  
25                   *Except as provided in subparagraph (B), not-*

1 *withstanding any other law or rule of law (other*  
2 *than section 6512(b), 7121, or 7122), credit or*  
3 *refund shall be allowed or made to the extent at-*  
4 *tributable to the application of this section.*

5 “(B) *RES JUDICATA.*—*In the case of any*  
6 *election under subsection (a), if a decision of the*  
7 *Tax Court in any prior proceeding for the same*  
8 *taxable year has become final, such decision shall*  
9 *be conclusive except with respect to the qualifica-*  
10 *tion of the individual for relief which was not an*  
11 *issue in such proceeding. The exception con-*  
12 *tained in the preceding sentence shall not apply*  
13 *if the Tax Court determines that the individual*  
14 *participated meaningfully in such prior proceed-*  
15 *ing.*

16 “(C) *LIMITATION ON TAX COURT JURISDIC-*  
17 *TION.*—*If a suit for refund is begun by either in-*  
18 *dividual filing the joint return pursuant to sec-*  
19 *tion 6532—*

20 “(i) *the Tax Court shall lose jurisdic-*  
21 *tion of the individual’s action under this*  
22 *section to whatever extent jurisdiction is ac-*  
23 *quired by the district court or the United*  
24 *States Court of Federal Claims over the tax-*

1                   able years that are the subject of the suit for  
2                   refund, and

3                   “(ii) the court acquiring jurisdiction  
4                   shall have jurisdiction over the petition filed  
5                   under this subsection.

6                   “(4) NOTICE TO OTHER SPOUSE.—The Tax  
7                   Court shall establish rules which provide the individ-  
8                   ual filing a joint return but not making the election  
9                   under subsection (a) with adequate notice and an op-  
10                  portunity to become a party to a proceeding under  
11                  this subsection.

12                  “(e) EQUITABLE RELIEF.—Under procedures pre-  
13                  scribed by the Secretary, if—

14                  “(1) a separate return amount determined under  
15                  subsection (b) or an allocation of deficiency under  
16                  subsection (c) is attributable to an item being allo-  
17                  cated to an individual,

18                  “(2) the individual establishes that he or she did  
19                  not know, and had no reason to know, of such item,  
20                  and

21                  “(3) taking into account all the facts and cir-  
22                  cumstances, it is inequitable to hold the individual  
23                  liable for any unpaid tax or any deficiency (or any  
24                  portion of either) attributable to such item,

1 *the Secretary may provide that, for purposes of this section,*  
2 *such item shall not be allocated to such individual but shall*  
3 *be allocated to the other individual filing the joint return.*

4 “(f) *OTHER RULES.—For purposes of this section—*

5 “(1) *COMMUNITY PROPERTY LAWS DIS-*  
6 *REGARDED.—Any determination under this section*  
7 *shall be made without regard to community property*  
8 *laws.*

9 “(2) *LIMITATIONS ON SEPARATE RETURNS DIS-*  
10 *REGARDED.—If an item of deduction or credit is dis-*  
11 *allowed in its entirety solely because a separate re-*  
12 *turn is filed, such disallowance shall be disregarded*  
13 *and the item shall be computed as if a joint return*  
14 *had been filed and then allocated between the spouses*  
15 *appropriately. A similar rule shall apply for purposes*  
16 *of section 86.*

17 “(3) *CHILD’S LIABILITY.—If the liability of a*  
18 *child of a taxpayer is included on a joint return, such*  
19 *liability shall be disregarded in computing the sepa-*  
20 *rate liability of either spouse and such liability shall*  
21 *be allocated appropriately between the spouses.*

22 “(g) *LIABILITY INCREASED BY REASON OF TRANSFERS*  
23 *OF PROPERTY TO AVOID TAX.—*

24 “(1) *IN GENERAL.—Notwithstanding any other*  
25 *provision of this section, any limitation on the tax li-*

1     *ability of an individual electing the application of*  
 2     *this section shall be increased by the value of any dis-*  
 3     *qualified asset transferred to the individual.*

4             “(2) *DISQUALIFIED ASSET.*—*For purposes of this*  
 5     *subsection—*

6                 “(A) *IN GENERAL.*—*The term ‘disqualified*  
 7     *asset’ means any property or right to property*  
 8     *transferred to an individual making the election*  
 9     *under this section with respect to a joint return*  
 10    *by the other individual filing such joint return*  
 11    *if the principal purpose of the transfer was the*  
 12    *avoidance of tax or payment of tax.*

13               “(B) *PRESUMPTION.*—

14                   “(i) *IN GENERAL.*—*For purposes of*  
 15    *subparagraph (A), except as provided in*  
 16    *clause (ii), any transfer which is made after*  
 17    *the date which is 1 year before—*

18                           “(I) *in the case of any unpaid tax*  
 19                           *to which subsection (a)(1)(A) applies,*  
 20                           *the payment due date of such unpaid*  
 21                           *tax, and*

22                           “(II) *in the case of any deficiency*  
 23                           *to which subsection (a)(1)(B) applies,*  
 24                           *the date on which the 1st letter of pro-*  
 25                           *posed deficiency which allows the tax-*

1                   payer an opportunity for administra-  
2                   tive review in the Internal Revenue  
3                   Service Office of Appeals is sent,  
4                   shall be presumed to have as its principal  
5                   purpose the avoidance of tax or payment of  
6                   tax.

7                   “(ii) *EXCEPTIONS.*—Clause (i) shall  
8                   not apply to any transfer—

9                   “(I) pursuant to a decree of di-  
10                  vorce or separate maintenance or a  
11                  written instrument incident to such a  
12                  decree, or

13                  “(II) which an individual estab-  
14                  lishes did not have as its principal  
15                  purpose the avoidance of tax or pay-  
16                  ment of tax.

17                  “(h) *REGULATIONS.*—The Secretary shall prescribe  
18                  such regulations as are necessary to carry out the provisions  
19                  of this section, including—

20                  “(1) regulations providing methods for allocation  
21                  of items other than the methods under subsection  
22                  (c)(3), and

23                  “(2) regulations providing the opportunity for  
24                  an individual to have notice of, and an opportunity  
25                  to participate in, any administrative proceeding with

1       *respect to an election made under subsection (a) by*  
 2       *the other individual filing the joint return.”.*

3       **(b) SEPARATE FORM FOR APPLYING FOR SPOUSAL RE-**  
 4       **LIEF.**—*Not later than 180 days after the date of the enact-*  
 5       *ment of this Act, the Secretary of the Treasury shall develop*  
 6       *a separate form with instructions for use by taxpayers in*  
 7       *applying for relief under section 6015(a) of the Internal*  
 8       *Revenue Code of 1986, as added by this section.*

9       **(c) SEPARATE NOTICE TO EACH FILER.**—*The Sec-*  
 10       *retary of the Treasury shall, wherever practicable, send any*  
 11       *notice relating to a joint return under section 6013 of the*  
 12       *Internal Revenue Code of 1986 separately to each individ-*  
 13       *ual filing the joint return.*

14       **(d) CONFORMING AMENDMENTS.**—

15               **(1)** *Section 6013 is amended by striking sub-*  
 16       *section (e).*

17               **(2)** *Subparagraph (A) of section 6230(c)(5) is*  
 18       *amended by striking “section 6013(e)” and inserting*  
 19       *“section 6015”.*

20               **(3)** *Section 7421(a) is amended by inserting*  
 21       *“6015(d),” after “sections”.*

22       **(e) CLERICAL AMENDMENT.**—*The table of sections for*  
 23       *subpart B of part II of subchapter A of chapter 61 is*  
 24       *amended by inserting after the item relating to section 6014*  
 25       *the following new item:*



“Sec. 6015. *Election to limit joint and several liability on joint return.*”.

1       (f) *EFFECTIVE DATES.*—

2           (1) *IN GENERAL.*—*Except as provided in para-*  
 3 *graph (2), the amendments made by this section shall*  
 4 *apply to any liability for tax arising after the date*  
 5 *of the enactment of this Act and any liability for tax*  
 6 *arising on or before such date but remaining unpaid*  
 7 *as of such date.*

8           (2) *2-YEAR PERIOD.*—*The 2-year period under*  
 9 *section 6015(a)(3)(A) of the Internal Revenue Code of*  
 10 *1986 shall not expire before the date which is 2 years*  
 11 *after the date of the first collection activity after the*  
 12 *date of the enactment of this Act.*

13 **SEC. 3202. SUSPENSION OF STATUTE OF LIMITATIONS ON**  
 14 **FILING REFUND CLAIMS DURING PERIODS OF**  
 15 **DISABILITY.**

16       (a) *IN GENERAL.*—*Section 6511 (relating to limita-*  
 17 *tions on credit or refund) is amended by redesignating sub-*  
 18 *section (h) as subsection (i) and by inserting after sub-*  
 19 *section (g) the following new subsection:*

20       “(h) *RUNNING OF PERIODS OF LIMITATION SUS-*  
 21 *PENDED WHILE TAXPAYER IS UNABLE TO MANAGE FINAN-*  
 22 *CIAL AFFAIRS DUE TO DISABILITY.*—

23           “(1) *IN GENERAL.*—*In the case of an individual,*  
 24 *the running of the periods specified in subsections (a),*

1       (b), and (c) shall be suspended during any period of  
 2       such individual's life that such individual is finan-  
 3       cially disabled.

4               “(2) *FINANCIALLY DISABLED.*—

5               “(A) *IN GENERAL.*—For purposes of para-  
 6       graph (1), an individual is financially disabled  
 7       if such individual is unable to manage his finan-  
 8       cial affairs by reason of a medically determina-  
 9       ble physical or mental impairment of the indi-  
 10      vidual which can be expected to result in death  
 11      or which has lasted or can be expected to last for  
 12      a continuous period of not less than 12 months.  
 13      An individual shall not be considered to have  
 14      such an impairment unless proof of the existence  
 15      thereof is furnished in such form and manner as  
 16      the Secretary may require.

17              “(B) *EXCEPTION WHERE INDIVIDUAL HAS*  
 18      *GUARDIAN, ETC.*—An individual shall not be  
 19      treated as financially disabled during any pe-  
 20      riod that such individual's spouse or any other  
 21      person is authorized to act on behalf of such in-  
 22      dividual in financial matters.”.

23       (b) *EFFECTIVE DATE.*—The amendment made by sub-  
 24      section (a) shall apply to periods of disability before, on,  
 25      or after the date of the enactment of this Act but shall not

1 *apply to any claim for credit or refund which (without re-*  
 2 *gard to such amendment) is barred by the operation of any*  
 3 *law or rule of law (including res judicata) as of January*  
 4 *1, 1998.*

5 ***Subtitle D—Provisions Relating to***  
 6 ***Interest and Penalties***

7 ***SEC. 3301. ELIMINATION OF INTEREST RATE DIFFERENTIAL***  
 8 ***ON OVERLAPPING PERIODS OF INTEREST ON***  
 9 ***TAX OVERPAYMENTS AND UNDERPAYMENTS.***

10 *(a) IN GENERAL.—Section 6621 (relating to deter-*  
 11 *mination of rate of interest) is amended by adding at the*  
 12 *end the following new subsection:*

13 *“(d) ELIMINATION OF INTEREST ON OVERLAPPING PE-*  
 14 *RIODS OF TAX OVERPAYMENTS AND UNDERPAYMENTS.—To*  
 15 *the extent that, for any period, interest is payable under*  
 16 *subchapter A and allowable under subchapter B on equiva-*  
 17 *lent underpayments and overpayments by the same tax-*  
 18 *payer of tax imposed by this title, the net rate of interest*  
 19 *under this section on such amounts shall be zero for such*  
 20 *period.”.*

21 *(b) CONFORMING AMENDMENT.—Subsection (f) of sec-*  
 22 *tion 6601 (relating to satisfaction by credits) is amended*  
 23 *by adding at the end the following new sentence: “The pre-*  
 24 *ceding sentence shall not apply to the extent that section*  
 25 *6621(d) applies.”.*

1       (c) *EFFECTIVE DATES.*—

2               (1) *IN GENERAL.*—*Except as provided under*  
 3 *paragraph (2), the amendments made by this section*  
 4 *shall apply to interest for periods beginning after the*  
 5 *date of the enactment of this Act.*

6               (2) *SPECIAL RULE.*—*Subject to any applicable*  
 7 *statute of limitation not having expired with regard*  
 8 *to either a tax underpayment or a tax overpayment,*  
 9 *the amendments made by this section shall apply to*  
 10 *interest for periods beginning before the date of the*  
 11 *enactment of this Act if the taxpayer—*

12                       (A) *reasonably identifies and establishes pe-*  
 13 *riods of such tax overpayments and underpay-*  
 14 *ments for which the zero rate applies, and*

15                       (B) *not later than December 31, 1999, re-*  
 16 *quests the Secretary of the Treasury to apply sec-*  
 17 *tion 6621(d) of the Internal Revenue Code of*  
 18 *1986, as added by subsection (a), to such periods.*

19 **SEC. 3301A. PROPERTY SUBJECT TO A LIABILITY TREATED**  
 20 **IN SAME MANNER AS ASSUMPTION OF LIABIL-**  
 21 **ITY.**

22       (a) *REPEAL OF PROPERTY SUBJECT TO A LIABILITY*  
 23 *TEST.*—

24               (1) *SECTION 357.*—*Section 357(a) (relating to*  
 25 *assumption of liability) is amended by striking “, or*

1        *acquires from the taxpayer property subject to a li-*  
 2        *ability” in paragraph (2).*

3            (2) *SECTION 358.—Section 358(d)(1) (relating to*  
 4        *assumption of liability) is amended by striking “or*  
 5        *acquired from the taxpayer property subject to a li-*  
 6        *ability”.*

7            (3) *SECTION 368.—*

8            (A) *Section 368(a)(1)(C) is amended by*  
 9        *striking “, or the fact that property acquired is*  
 10       *subject to a liability,”.*

11          (B) *The last sentence of section*  
 12        *368(a)(2)(B) is amended by striking “, and the*  
 13        *amount of any liability to which any property*  
 14        *acquired from the acquiring corporation is sub-*  
 15        *ject,”.*

16          (b) *CLARIFICATION OF ASSUMPTION OF LIABILITY.—*  
 17        *Section 357(c) is amended by adding at the end the follow-*  
 18        *ing new paragraph:*

19            “(4) *DETERMINATION OF AMOUNT OF LIABILITY*  
 20        *ASSUMED.—For purposes of this section, section*  
 21        *358(d), section 368(a)(1)(C), and section*  
 22        *368(a)(2)(B)—*

23            “(A) *a liability shall be treated as having*  
 24        *been assumed to the extent, as determined on the*  
 25        *basis of facts and circumstances, the transferor is*

relieved of such liability or any portion thereof  
(including through an indemnity agreement or  
other similar arrangement), and

“(B) in the case of the transfer of any prop-  
erty subject to a nonrecourse liability, unless the  
facts and circumstances indicate otherwise, the  
transferee shall be treated as assuming with re-  
spect to such property a ratable portion of such  
liability determined on the basis of the relative  
fair market values (determined without regard to  
section 7701(g)) of all assets subject to such li-  
ability.”.

(c) APPLICATION TO PROVISIONS OTHER THAN SUB-

CHAPTER C.—

(1) SECTION 584.—Section 584(h)(3) is amend-  
ed—

(A) by striking “, and the fact that any  
property transferred by the common trust fund is  
subject to a liability,” in subparagraph (A),

(B) by striking clause (ii) of subparagraph  
(B) and inserting:

“(ii) ASSUMED LIABILITIES.—For pur-  
poses of clause (i), the term ‘assumed liabil-  
ities’ means any liability of the common  
trust fund assumed by any regulated invest-

1                   ment company in connection with the  
2                   transfer referred to in paragraph (1)(A).

3                   “(C) ASSUMPTION.—For purposes of this  
4                   paragraph, in determining the amount of any li-  
5                   ability assumed, the rules of section 357(c)(4)  
6                   shall apply.”.

7                   (2) SECTION 1031.—The last sentence of section  
8                   1031(d) is amended—

9                   (A) by striking “assumed a liability of the  
10                  taxpayer or acquired from the taxpayer property  
11                  subject to a liability” and inserting “assumed  
12                  (as determined under section 357(c)(4)) a liabil-  
13                  ity of the taxpayer”, and

14                  (B) by striking “or acquisition (in the  
15                  amount of the liability)”.

16                  (d) CONFORMING AMENDMENTS.—

17                  (1) Section 351(h)(1) is amended by striking “,  
18                  or acquires property subject to a liability,”.

19                  (2) Section 357 is amended by striking “or ac-  
20                  quisition” each place it appears in subsection (a) or  
21                  (b).

22                  (3) Section 357(b)(1) is amended by striking “or  
23                  acquired”.

1           (4) Section 357(c)(1) is amended by striking “,  
2           plus the amount of the liabilities to which the prop-  
3           erty is subject,”.

4           (5) Section 357(c)(3) is amended by striking “or  
5           to which the property transferred is subject”.

6           (6) Section 358(d)(1) is amended by striking “or  
7           acquisition (in the amount of the liability)”.

8           (e) *EFFECTIVE DATE.*—The amendments made by this  
9           section shall apply to transfers after the date of the enact-  
10          ment of this Act.

11       **SEC. 3302. INCREASE IN OVERPAYMENT RATE PAYABLE TO**  
12                               **TAXPAYERS OTHER THAN CORPORATIONS.**

13          (a) *IN GENERAL.*—Subparagraph (B) of section  
14       6621(a)(1) (defining overpayment rate) is amended to read  
15       as follows:

16                       “(B) 3 percentage points (2 percentage  
17                       points in the case of a corporation).”.

18          (b) *EFFECTIVE DATE.*—The amendment made by this  
19       section shall apply to interest for the second and succeeding  
20       calendar quarters beginning after the date of the enactment  
21       of this Act.



1 **SEC. 3303. ELIMINATION OF PENALTY ON INDIVIDUAL'S**  
 2 **FAILURE TO PAY FOR MONTHS DURING PE-**  
 3 **RIOD OF INSTALLMENT AGREEMENT.**

4 (a) *IN GENERAL.*—Section 6651 (relating to failure to  
 5 file tax return or to pay tax) is amended by adding at the  
 6 end the following new subsection:

7 “(h) *LIMITATION ON PENALTY ON INDIVIDUAL’S FAIL-*  
 8 *URE TO PAY FOR MONTHS DURING PERIOD OF INSTALL-*  
 9 *MENT AGREEMENT.*—In the case of an individual who files  
 10 a return of tax on or before the due date for the return  
 11 (including extensions), no addition to the tax shall be im-  
 12 posed under paragraph (2) or (3) of subsection (a) with  
 13 respect to the individual’s liability for tax relating to the  
 14 return for any month during which an installment agree-  
 15 ment under section 6159 is in effect for the payment of such  
 16 tax.”.

17 (b) *EFFECTIVE DATE.*—The amendment made by this  
 18 section shall apply for purposes of determining additions  
 19 to the tax for months beginning after December 31, 1999.

20 **SEC. 3304. MITIGATION OF FAILURE TO DEPOSIT PENALTY.**

21 (a) *TAXPAYER MAY DESIGNATE PERIODS TO WHICH*  
 22 *DEPOSITS APPLY.*—Section 6656 (relating to under-  
 23 payment of deposits) is amended by adding at the end the  
 24 following new subsection:

25 “(e) *DESIGNATION OF PERIODS TO WHICH DEPOSITS*  
 26 *APPLY.*—

1           “(1) *IN GENERAL.*—A person may designate the  
2           period or periods to which a deposit is to be applied  
3           for purposes of this section.

4           “(2) *TIME FOR MAKING DESIGNATION.*—A person  
5           shall make any designation under paragraph (1) on  
6           or before the later of—

7                     “(A) the date the deposit is made, or

8                     “(B) the 90th day after the earlier of the  
9                     dates determined under subsection (b)(1)(B) with  
10                    respect to a notice covering the period to which  
11                    the deposit would be applied but for a designa-  
12                    tion under this subsection.”.

13       (b) *EXPANSION OF EXEMPTION FOR FIRST-TIME DE-*  
14 *POSITS.*—

15           (1) *IN GENERAL.*—Paragraph (2) of section  
16       6656(c) (relating to exemption for first-time deposi-  
17       tors of employment taxes) is amended to read as fol-  
18       lows:

19                     “(2) such failure—

20                     “(A) occurs during the 1st quarter that such  
21                     person was required to deposit any employment  
22                     tax, or

23                     “(B) if such person is required to change  
24                     the frequency of deposits of any employment tax,

1           relates to the first deposit to which such change  
2           applies, and”.

3           (c) *EFFECTIVE DATE.*—The amendments made by this  
4           section shall apply to deposits required to be made after  
5           the 180th day after the date of the enactment of this Act.

6           **SEC. 3305. SUSPENSION OF INTEREST AND CERTAIN PEN-**  
7                               **ALTIES WHERE SECRETARY FAILS TO CON-**  
8                               **TACT INDIVIDUAL TAXPAYER.**

9           (a) *IN GENERAL.*—Section 6404 (relating to abate-  
10          ments) is amended by redesignating subsection (g) as sub-  
11          section (h) and by inserting after subsection (f) the follow-  
12          ing new subsection:

13          “(g) *SUSPENSION OF INTEREST AND CERTAIN PEN-*  
14          *ALTIES WHERE SECRETARY FAILS TO CONTACT TAX-*  
15          *PAYER.*—

16               “(1) *IN GENERAL.*—In the case of an individual  
17          who files a return of tax imposed by subtitle A for a  
18          taxable year on or before the due date for the return  
19          (including extensions), if the Secretary does not pro-  
20          vide a notice of deficiency to the taxpayer before the  
21          close of the 1-year period beginning on the later of—

22                       “(A) the date on which the return is filed,

23                       or

24                       “(B) the due date of the return without re-  
25          gard to extensions,

1        *the Secretary shall suspend the imposition of any in-*  
 2        *terest, penalty, addition to tax, or additional amount*  
 3        *with respect to any failure relating to the return*  
 4        *which is computed by reference to the period of time*  
 5        *the failure continues to exist and which is properly*  
 6        *allocable to the suspension period.*

7            *“(2) EXCEPTIONS.—Paragraph (1) shall not*  
 8        *apply to—*

9            *“(A) any penalty imposed by section 6651,*

10          *“(B) any interest, penalty, addition to tax,*  
 11          *or additional amount in a case involving fraud,*  
 12          *or*

13          *“(C) any criminal penalty.*

14          *“(3) SUSPENSION PERIOD.—For purposes of this*  
 15        *subsection, the term ‘suspension period’ means the pe-*  
 16        *riod—*

17          *“(A) beginning on the day after the close of*  
 18        *the 1-year period under paragraph (1), and*

19          *“(B) ending on the date which is 21 days*  
 20        *after the date on which notice and demand for*  
 21        *payment of tax relating to such return is made*  
 22        *by the Secretary.”.*

23        *(b) EFFECTIVE DATE.—The amendments made by this*  
 24        *section shall apply to taxable years ending after the date*  
 25        *of the enactment of this Act.*

1 **SEC. 3306. PROCEDURAL REQUIREMENTS FOR IMPOSITION**  
 2 **OF PENALTIES AND ADDITIONS TO TAX.**

3 (a) *IN GENERAL.*—Chapter 68 (relating to additions  
 4 to the tax, additional amounts, and assessable penalties) is  
 5 amended by adding at the end the following new subchapter:

6 **“Subchapter C—Procedural Requirements**

*“Sec. 6751. Procedural requirements.*

7 **“SEC. 6751. PROCEDURAL REQUIREMENTS.**

8 “(a) *COMPUTATION OF PENALTY INCLUDED IN NO-*  
 9 *TICE.*—The Secretary shall include with each notice of pen-  
 10 alty under this title information with respect to the name  
 11 of the penalty, the section of this title under which the pen-  
 12 alty is imposed, and a computation of the penalty.

13 “(b) *APPROVAL OF ASSESSMENT.*—

14 “(1) *IN GENERAL.*—No penalty under this title  
 15 shall be assessed unless the initial determination of  
 16 such assessment is personally approved (in writing)  
 17 by the immediate supervisor of the individual making  
 18 such determination or such higher level official as the  
 19 Secretary may designate.

20 “(2) *EXCEPTIONS.*—Paragraph (1) shall not  
 21 apply to—

22 “(A) any addition to tax under section  
 23 6651, 6654, or 6655, or

1                   “(B) any other penalty automatically cal-  
2                   culated through electronic means.

3           “(c) *PENALTIES.*—For purposes of this section, the  
4 term ‘penalty’ includes any addition to tax or any addi-  
5 tional amount.”.

6           (b) *CONFORMING AMENDMENT.*—The table of sub-  
7 chapters for chapter 68 is amended by adding at the end  
8 the following new item:

                  “SUBCHAPTER C. Procedural requirements.”.

9           (c) *EFFECTIVE DATE.*—The amendments made by this  
10 section shall apply to notices issued, and penalties assessed,  
11 after the 180th day after the date of the enactment of this  
12 Act.

13 **SEC. 3307. PERSONAL DELIVERY OF NOTICE OF PENALTY**  
14 **UNDER SECTION 6672.**

15           (a) *IN GENERAL.*—Paragraph (1) of section 6672(b)  
16 (relating to failure to collect and pay over tax, or attempt  
17 to evade or defeat tax) is amended by inserting “or in per-  
18 son” after “section 6212(b)”.

19           (b) *CONFORMING AMENDMENTS.*—

20                   (1) Paragraph (2) of section 6672(b) is amended  
21 by inserting “(or, in the case of such a notice deliv-  
22 ered in person, such delivery)” after “paragraph (1)”.

23                   (2) Paragraph (3) of section 6672(b) is amended  
24 by inserting “or delivered in person” after “mailed”  
25 each place it appears.

1       (c) *EFFECTIVE DATE.*—*The amendments made by this*  
 2 *section shall take effect on the date of the enactment of this*  
 3 *Act.*

4       **SEC. 3308. NOTICE OF INTEREST CHARGES.**

5       (a) *IN GENERAL.*—*Chapter 67 (relating to interest) is*  
 6 *amended by adding at the end the following new subchapter:*

7               **“Subchapter D—Notice requirements**

*“Sec. 6631. Notice requirements.*

8       **“SEC. 6631. NOTICE REQUIREMENTS.**

9               *“The Secretary shall include with each notice to an*  
 10 *individual taxpayer which includes an amount of interest*  
 11 *required to be paid by such taxpayer under this title infor-*  
 12 *mation with respect to the section of this title under which*  
 13 *the interest is imposed and a computation of the interest.”.*

14       (b) *CONFORMING AMENDMENT.*—*The table of sub-*  
 15 *chapters for chapter 67 is amended by adding at the end*  
 16 *the following new item:*

*“SUBCHAPTER D. Notice requirements.”.*

17       (c) *EFFECTIVE DATE.*—*The amendments made by this*  
 18 *section shall apply to notices issued after June 30, 2000.*

1 **SEC. 3309. ABATEMENT OF INTEREST ON UNDERPAYMENTS**  
 2 **BY TAXPAYERS IN PRESIDENTIALLY DE-**  
 3 **CLARED DISASTER AREAS.**

4 (a) *IN GENERAL.*—Section 6404 of the Internal Reve-  
 5 nue Code of 1986 (relating to abatements) is amended by  
 6 adding at the end the following:

7 “(h) *ABATEMENT OF INTEREST ON UNDERPAYMENTS*  
 8 *BY TAXPAYERS IN PRESIDENTIALLY DECLARED DISASTER*  
 9 *AREAS.*—

10 “(1) *IN GENERAL.*—If the Secretary extends for  
 11 any period the time for filing income tax returns  
 12 under section 6081 and the time for paying income  
 13 tax with respect to such returns under section 6161  
 14 for any taxpayer located in a Presidentially declared  
 15 disaster area, the Secretary shall abate for such pe-  
 16 riod the assessment of any interest prescribed under  
 17 section 6601 on such income tax.

18 “(2) *PRESIDENTIALLY DECLARED DISASTER*  
 19 *AREA.*—For purposes of paragraph (1), the term  
 20 ‘Presidentially declared disaster area’ means, with re-  
 21 spect to any taxpayer, any area which the President  
 22 has determined warrants assistance by the Federal  
 23 Government under the Disaster Relief and Emergency  
 24 Assistance Act.”.

25 (b) *EFFECTIVE DATE.*—The amendment made by this  
 26 section shall apply to disasters declared after December 31,



1 1996, with respect to taxable years beginning after Decem-  
 2 ber 31, 1996.

3 (c) *EMERGENCY DESIGNATION.*—

4 (1) *For the purposes of section 252(e) of the Bal-*  
 5 *anced Budget and Emergency Deficit Control Act,*  
 6 *Congress designates the provisions of this section as*  
 7 *an emergency requirement.*

8 (2) *The amendments made by subsections (a)*  
 9 *and (b) of this section shall only take effect upon the*  
 10 *transmittal by the President to the Congress of a mes-*  
 11 *sage designating the provisions of subsections (a) and*  
 12 *(b) as an emergency requirement pursuant to section*  
 13 *252(e) of the Balanced Budget and Emergency Deficit*  
 14 *Control Act.*

15 ***Subtitle E—Protections for Tax-***  
 16 ***payers Subject to Audit or Col-***  
 17 ***lection Activities***

18 ***PART I—DUE PROCESS***

19 ***SEC. 3401. DUE PROCESS IN IRS COLLECTION ACTIONS.***

20 (a) *NOTICE AND OPPORTUNITY FOR HEARING BEFORE*  
 21 *FILING OF NOTICE OF LIEN.*—Subchapter C of chapter 64  
 22 *(relating to lien for taxes) is amended by inserting before*  
 23 *the table of sections the following:*

*“Part I. Due process for liens.*  
*“Part II. Liens.*

1                   **“PART I—DUE PROCESS FOR LIENS**

*“Sec. 6320. Notice and opportunity for hearing before filing of notice of lien.*

2           **“SEC. 6320. NOTICE AND OPPORTUNITY FOR HEARING BE-**  
3                   **FORE FILING OF NOTICE OF LIEN.**

4           “(a) *REQUIREMENT OF NOTICE.—*

5                   “(1) *IN GENERAL.—No notice of lien may be*  
6           *filed under section 6323 unless the Secretary has noti-*  
7           *fied in writing the person described in section 6321*  
8           *of the Secretary’s intention to file such a notice of*  
9           *lien.*

10                   “(2) *TIME AND METHOD FOR NOTICE.—The no-*  
11           *tice required under paragraph (1) shall be—*

12                           “(A) *given in person,*

13                           “(B) *left at the dwelling or usual place of*  
14           *business of such person, or*

15                           “(C) *sent by certified or registered mail to*  
16           *such person’s last known address,*

17           *not less than 30 days before the day of the filing of*  
18           *the notice of lien.*

19                   “(3) *INFORMATION INCLUDED WITH NOTICE.—*

20           *The notice required under paragraph (1) shall include*  
21           *in simple and nontechnical terms—*

22                           “(A) *the amount of unpaid tax,*

1           “(B) the right of the person to request a  
 2           hearing during the 30-day period described in  
 3           paragraph (2),

4           “(C) the administrative appeals available to  
 5           the taxpayer with respect to such lien and the  
 6           procedures relating to such appeals, and

7           “(D) the provisions of this title and proce-  
 8           dures relating to the release of liens on property.

9           “(b) *RIGHT TO FAIR HEARING.*—

10           “(1) *IN GENERAL.*—If the person requests a hear-  
 11           ing under subsection (a)(3)(B), such hearing shall be  
 12           held by the Internal Revenue Service Office of Ap-  
 13           peals.

14           “(2) *IMPARTIAL OFFICER.*—The hearing under  
 15           this subsection shall be conducted by an officer or em-  
 16           ployee who has had no involvement with respect to the  
 17           unpaid tax specified in subsection (a)(3)(A) before the  
 18           first hearing under this section. A taxpayer may  
 19           waive the requirement of this paragraph.

20           “(c) *CONDUCT OF HEARING; REVIEW; SUSPEN-*  
 21           *SIONS.*—For purposes of this section, subsections (c), (d)  
 22           (other than paragraph (2)(B) thereof), and (e) of section  
 23           6330 shall apply.

1 **“PART II—LIENS”.**

2 (b) *NOTICE AND OPPORTUNITY FOR HEARING BEFORE*  
 3 *LEVY.*—*Subchapter D of chapter 64 (relating to seizure of*  
 4 *property for collection of taxes) is amended by inserting be-*  
 5 *fore the table of sections the following:*

“Part I. Due process for collections.

“Part II. Levy.

6 **“PART I—DUE PROCESS FOR COLLECTIONS**

“Sec. 6330. Notice and opportunity for hearing before levy.

7 **“SEC. 6330. NOTICE AND OPPORTUNITY FOR HEARING BE-**  
 8 **FORE LEVY.**

9 “(a) *REQUIREMENT OF NOTICE BEFORE LEVY.*—

10 “(1) *IN GENERAL.*—*No levy may be made on*  
 11 *any property or right to property of any person un-*  
 12 *less the Secretary has notified such person in writing*  
 13 *of the Secretary’s intention to make such a levy.*

14 “(2) *TIME AND METHOD FOR NOTICE.*—

15 “(A) *IN GENERAL.*—*The notice required*  
 16 *under paragraph (1) shall be—*

17 “(i) *given in person,*

18 “(ii) *left at the dwelling or usual place*  
 19 *of business of such person, or*

20 “(iii) *sent by certified or registered*  
 21 *mail to such person’s last known address,*  
 22 *not less than 30 days before the day of the levy.*

1           “(B) *LONGER PERIOD FOR LIFE INSURANCE*  
2           *AND ENDOWMENT CONTRACTS.—In the case of a*  
3           *levy on an organization with respect to a life in-*  
4           *surance or endowment contract issued by such*  
5           *organization, subparagraph (A) shall be applied*  
6           *by substituting ‘90 days’ for ‘30 days’.*

7           “(3) *INFORMATION INCLUDED WITH NOTICE.—*  
8           *The notice required under paragraph (1) shall include*  
9           *in simple and nontechnical terms—*

10           “(A) *the amount of unpaid tax,*

11           “(B) *the right of the person to request a*  
12           *hearing during the applicable period under*  
13           *paragraph (2), and*

14           “(C) *the proposed action by the Secretary*  
15           *and the rights of the person with respect to such*  
16           *action, including a brief statement which sets*  
17           *forth—*

18           “(i) *the provisions of this title relating*  
19           *to levy and sale of property,*

20           “(ii) *the procedures applicable to the*  
21           *levy and sale of property under this title,*

22           “(iii) *the administrative appeals avail-*  
23           *able to the taxpayer with respect to such*  
24           *levy and sale and the procedures relating to*  
25           *such appeals,*

1                   “(iv) the alternatives available to tax-  
 2                   payers which could prevent levy on the  
 3                   property (including installment agreements  
 4                   under section 6159), and

5                   “(v) the provisions of this title and  
 6                   procedures relating to redemption of prop-  
 7                   erty and release of liens on property.

8                   “(b) *RIGHT TO FAIR HEARING.*—

9                   “(1) *IN GENERAL.*—If the person requests a hear-  
 10                  ing under subsection (a)(3)(B), such hearing shall be  
 11                  held by the Internal Revenue Service Office of Ap-  
 12                  peals.

13                  “(2) *IMPARTIAL OFFICER.*—The hearing under  
 14                  this subsection shall be conducted by an officer or em-  
 15                  ployee who has had no prior involvement with respect  
 16                  to the unpaid tax specified in subsection (a)(3)(A) be-  
 17                  fore the first hearing under this section or section  
 18                  6320. A taxpayer may waive the requirement of this  
 19                  paragraph.

20                  “(c) *MATTERS CONSIDERED AT HEARING.*—In the case  
 21                  of any hearing conducted under this section—

22                  “(1) *REQUIREMENT OF INVESTIGATION.*—The  
 23                  Secretary shall verify at the hearing that the require-  
 24                  ments of any applicable law or administrative proce-  
 25                  dure have been met.

1           “(2) *ISSUES AT HEARING.*—The person may  
2       raise at the hearing any relevant issue relating to the  
3       unpaid tax or the proposed levy, including—

4                   “(A) challenges to the underlying tax liabil-  
5       ity as to existence or amount,

6                   “(B) appropriate spousal defenses,

7                   “(C) challenges to the appropriateness of  
8       collection actions, and

9                   “(D) offers of collection alternatives, which  
10      may include the posting of a bond, the substi-  
11      tution of other assets, an installment agreement,  
12      or an offer-in-compromise.

13          “(3) *BASIS FOR THE DETERMINATION.*—The de-  
14      termination by an appeals officer under this sub-  
15      section shall take into consideration—

16                  “(A) the verification presented under para-  
17      graph (1),

18                  “(B) the issues raised under paragraph (2),  
19      and

20                  “(C) whether the proposed collection action  
21      balances the need for the efficient collection of  
22      taxes with the legitimate concern of the person  
23      that the collection action be no more intrusive  
24      than necessary.

1           “(4) *CERTAIN ISSUES PRECLUDED.*—*An issue*  
2           *may not be raised at the hearing if—*

3                   “(A) *the issue was raised at a previous*  
4                   *hearing under this section or section 6320 or in*  
5                   *any other previous administrative or judicial*  
6                   *proceeding, and*

7                   “(B) *the person seeking to raise the issue*  
8                   *participated meaningfully in such hearing or*  
9                   *proceeding.*

10           *This paragraph shall not apply to any issue with re-*  
11           *spect to which subsection (d)(2)(B) applies.*

12           “(d) *PROCEEDING AFTER HEARING.*—

13                   “(1) *JUDICIAL REVIEW OF DETERMINATION.*—  
14                   *The person may appeal a determination under this*  
15                   *section to the Tax Court within 30 days of the date*  
16                   *of such determination.*

17                   “(2) *JURISDICTION RETAINED AT IRS OFFICE OF*  
18                   *APPEALS.*—*The Internal Revenue Service Office of*  
19                   *Appeals shall retain jurisdiction with respect to any*  
20                   *determination made under this section, including sub-*  
21                   *sequent hearings requested by the person who re-*  
22                   *quested the original hearing on issues regarding—*

23                   “(A) *collection actions taken or proposed*  
24                   *with respect to such determination, and*



1                   “(B) after the person has exhausted all ad-  
 2                   ministrative remedies, a change in circumstances  
 3                   with respect to such person which affects such de-  
 4                   termination.

5           “(e) *SUSPENSION OF COLLECTIONS AND STATUTE OF*  
 6 *LIMITATIONS.*—If a hearing is requested under subsection  
 7 (a)(3)(B), the levy actions which are the subject of the re-  
 8 quested hearing and the running of any period of limita-  
 9 tions under section 6502 (relating to collection after assess-  
 10 ment), section 6531 (relating to criminal prosecutions), or  
 11 section 6532 (relating to other suits) shall be suspended for  
 12 the period during which such hearing, and appeals therein,  
 13 are pending. In no event shall any such period expire before  
 14 the 90th day after the day on which there is a final deter-  
 15 mination in such hearing.

16           “(f) *JEOPARDY COLLECTION.*—If the Secretary has  
 17 made a finding under the last sentence of section 6331(a)  
 18 that the collection of tax is in jeopardy, this section shall  
 19 not apply, except that the taxpayer shall be given the oppor-  
 20 tunity for the hearing described in this section within a  
 21 reasonable period of time after the levy.

22                   **“PART II—LEVY”.**

23           (c) *REVIEW BY SPECIAL TRIAL JUDGES ALLOWED.*—  
 24                   (1) *IN GENERAL.*—Section 7443(b) (relating to  
 25                   proceedings which may be assigned to special trial

1        *judges) is amended by striking “and” at the end of*  
 2        *paragraph (3), by redesignating paragraph (4) as*  
 3        *paragraph (5), and by inserting after paragraph (3)*  
 4        *the following:*

5                *“(4) any proceeding under section 6320 or 6330,*  
 6        *and”.*

7                *(2) AUTHORITY TO MAKE DECISIONS.—Section*  
 8        *7443(c) (relating to authority to make court deci-*  
 9        *sions) is amended by striking “or (3)” and inserting*  
 10        *“(3), or (4)”.*

11        *(d) CONFORMING AMENDMENT.—Section 6331 is*  
 12        *amended by striking subsection (d).*

13        *(e) EFFECTIVE DATE.—The amendments made by this*  
 14        *section shall apply to collection actions initiated after the*  
 15        *date which is 180 days after the date of the enactment of*  
 16        *this Act.*

## 17                **PART II—EXAMINATION ACTIVITIES**

### 18        **SEC. 3411. UNIFORM APPLICATION OF CONFIDENTIALITY**

#### 19                **PRIVILEGE TO TAXPAYER COMMUNICATIONS** 20                **WITH FEDERALLY AUTHORIZED PRACTITION-** 21                **ERS.**

22        *(a) IN GENERAL.—Chapter 77 (relating to miscellane-*  
 23        *ous provisions) is amended by adding at the end the follow-*  
 24        *ing new section:*

1 **“SEC. 7525. UNIFORM APPLICATION OF CONFIDENTIALITY**  
2 **PRIVILEGE TO TAXPAYER COMMUNICATIONS**  
3 **WITH FEDERALLY AUTHORIZED PRACTITION-**  
4 **ERS.**

5 “(a) *GENERAL RULE.*—With respect to tax advice, the  
6 same common law protections of confidentiality which  
7 apply to a communication between a taxpayer and an at-  
8 torney shall also apply to a communication between a tax-  
9 payer and any federally authorized tax practitioner to the  
10 extent the communication would be considered a privileged  
11 communication if it were between a taxpayer and an attor-  
12 ney.

13 “(b) *LIMITATIONS.*—Subsection (a) may only be as-  
14 serted in—

15 “(1) any noncriminal tax matter before the In-  
16 ternal Revenue Service, and

17 “(2) any noncriminal tax proceeding in Federal  
18 court with respect to such matter.

19 “(c) *DEFINITIONS.*—For purposes of this section—

20 “(1) *FEDERALLY AUTHORIZED TAX PRACTI-*  
21 *TIONER.*—The term ‘federally authorized tax practi-

22 *tioner’ means any individual who is authorized under*  
23 *Federal law to practice before the Internal Revenue*  
24 *Service if such practice is subject to Federal regula-*  
25 *tion under section 330 of title 31, United States Code.*

1           “(2) *TAX ADVICE.*—The term ‘tax advice’ means  
 2           *advice given by an individual with respect to a mat-*  
 3           *ter which is within the scope of the individual’s au-*  
 4           *thority to practice described in paragraph (1).’.*”

5           (b) *CONFORMING AMENDMENT.*—The table of sections  
 6 *for such chapter 77 is amended by adding at the end the*  
 7 *following new item:*

“Sec. 7525. *Uniform application of confidentiality privilege to*  
*taxpayer communications with federally authorized*  
*practitioners.’.*”

8           (c) *EFFECTIVE DATE.*—The amendments made by this  
 9 *section shall apply to communications made on or after the*  
 10 *date of the enactment of this Act.*

11   **SEC. 3412. LIMITATION ON FINANCIAL STATUS AUDIT TECH-**  
 12                                   **NIQUES.**

13           Section 7602 (relating to examination of books and  
 14 *witnesses*) is amended by adding at the end the following  
 15 *new subsection:*

16           “(d) *LIMITATION ON EXAMINATION ON UNREPORTED*  
 17 *INCOME.*—The Secretary shall not use financial status or  
 18 *economic reality examination techniques to determine the*  
 19 *existence of unreported income of any taxpayer unless the*  
 20 *Secretary has a reasonable indication that there is a likeli-*  
 21 *hood of such unreported income.’.*”

22   **SEC. 3413. SOFTWARE TRADE SECRETS PROTECTION.**

23           (a) *IN GENERAL.*—Subchapter A of chapter 78 (relat-  
 24 *ing to examination and inspection*) is amended by redesign-

1 nating section 7612 as section 7613 and by inserting after  
 2 7611 the following:

3 **“SEC. 7612. SPECIAL PROCEDURES FOR SUMMONSES FOR**  
 4 **COMPUTER SOFTWARE.**

5 “(a) *GENERAL RULE.*—For purposes of this title—

6 “(1) *except as provided in subsection (b), no*  
 7 *summons may be issued under this title, and the Sec-*  
 8 *retary may not begin any action under section 7604*  
 9 *to enforce any summons, to produce or analyze any*  
 10 *computer software source code, and*

11 “(2) *any software and related materials which*  
 12 *are provided to the Secretary under this title shall be*  
 13 *subject to the safeguards under subsection (c).*

14 “(b) *CIRCUMSTANCES UNDER WHICH COMPUTER*  
 15 *SOFTWARE SOURCE CODE MAY BE PROVIDED.*—

16 “(1) *IN GENERAL.*—Subsection (a)(1) shall not  
 17 *apply to any portion, item, or component of computer*  
 18 *software source code if—*

19 “(A) *the Secretary is unable to otherwise*  
 20 *reasonably ascertain the correctness of any item*  
 21 *on a return from—*

22 “(i) *the taxpayer’s books, papers,*  
 23 *records, or other data, or*

24 “(ii) *the computer software executable*  
 25 *code (and any modifications thereof) to*

1           *which such source code relates and any as-*  
2           *sociated data which, when executed, pro-*  
3           *duces the output to ascertain the correctness*  
4           *of the item,*

5           *“(B) the Secretary identifies with reason-*  
6           *able specificity the portion, item, or component*  
7           *of such source code needed to verify the correct-*  
8           *ness of such item on the return, and*

9           *“(C) the Secretary determines that the need*  
10          *for the portion, item, or component of such*  
11          *source code with respect to such item outweighs*  
12          *the risks of unauthorized disclosure of trade se-*  
13          *crets.*

14          *“(2) EXCEPTIONS.—Subsection (a)(1) shall not*  
15          *apply to—*

16                *“(A) any inquiry into any offense connected*  
17                *with the administration or enforcement of the in-*  
18                *ternal revenue laws,*

19                *“(B) any computer software source code de-*  
20                *veloped by the taxpayer or a related person for*  
21                *internal use by the taxpayer or such person, or*

22                *“(C) any communications between the*  
23                *owner of the source code and the taxpayer or re-*  
24                *lated persons.*

1           “(3) *COOPERATION REQUIRED.*—For purposes of  
 2           *paragraph (1), the Secretary shall be treated as meet-*  
 3           *ing the requirements of subparagraphs (A) and (B) of*  
 4           *such paragraph if—*

5                     “(A) *the Secretary determines that it is not*  
 6                     *feasible to determine the correctness of an item*  
 7                     *without access to the computer software execut-*  
 8                     *able code and associated data described in para-*  
 9                     *graph (1)(A)(ii),*

10                    “(B) *the Secretary makes a formal request*  
 11                    *to the taxpayer for such code and data and to*  
 12                    *the owner of the computer software source code*  
 13                    *for such executable code, and*

14                    “(C) *such code and data is not provided*  
 15                    *within 180 days of such request.*

16           “(4) *RIGHT TO CONTEST SUMMONS.*—In any  
 17           *proceeding brought under section 7604 to enforce a*  
 18           *summons issued under the authority of this sub-*  
 19           *section, the court shall, at the request of any party,*  
 20           *hold a hearing to determine whether the applicable re-*  
 21           *quirements of this subsection have been met.*

22           “(c) *SAFEGUARDS TO ENSURE PROTECTION OF TRADE*  
 23           *SECRETS AND OTHER CONFIDENTIAL INFORMATION.*—

24                    “(1) *ENTRY OF PROTECTIVE ORDER.*—In any  
 25                    *court proceeding to enforce a summons for any por-*

1     tion of software, the court may receive evidence and  
2     issue any order necessary to prevent the disclosure of  
3     trade secrets or other confidential information with  
4     respect to such software, including —requiring that  
5     any information be placed under seal to be opened  
6     only as directed by the court.

7             “(2) *PROTECTION OF SOFTWARE.*—Notwithstand-  
8     ing any other provision of this section, and in addi-  
9     tion to any protections ordered pursuant to para-  
10    graph (1), in the case of software that comes into the  
11    possession or control of the Secretary in the course of  
12    any examination with respect to any taxpayer—

13             “(A) the software may be used only in con-  
14     nection with the examination of such taxpayer’s  
15     return, any appeal by the taxpayer to the Inter-  
16     nal Revenue Service Office of Appeals, any judi-  
17     cial proceeding (and any appeals therefrom),  
18     and any inquiry into any offense connected with  
19     the administration or enforcement of the internal  
20     revenue laws,

21             “(B) the Secretary shall provide, in ad-  
22     vance, to the taxpayer and the owner of the soft-  
23     ware a written list of the names of all individ-  
24     uals who will analyze or otherwise have access to  
25     the software,



1           “(C) the software shall be maintained in a  
2           secure area or place, and, in the case of com-  
3           puter software source code, shall not be removed  
4           from the owner’s place of business unless the  
5           owner permits, or a court orders, such removal,

6           “(D) the software may not be copied except  
7           as necessary to perform such analysis, and the  
8           Secretary shall number all copies made and cer-  
9           tify in writing that no other copies have been (or  
10          will be) made,

11          “(E) at the end of the period during which  
12          the software may be used under subparagraph  
13          (A)—

14               “(i) the software and all copies thereof  
15               shall be returned to the person from whom  
16               they were obtained and any copies thereof  
17               made under subparagraph (D) on the hard  
18               drive of a machine or other mass storage de-  
19               vice shall be permanently deleted, and

20               “(ii) the Secretary shall obtain from  
21               any person who analyzes or otherwise had  
22               access to such software a written certifi-  
23               cation under penalty of perjury that all  
24               copies and related materials have been re-

1           *turned and that no copies were made of*  
2           *them,*

3           *“(F) the software may not be decompiled or*  
4           *disassembled, and*

5           *“(G) the Secretary shall provide to the tax-*  
6           *payer and the owner of any interest in such soft-*  
7           *ware, as the case may be, a written agreement,*  
8           *between the Secretary and any person who is not*  
9           *an officer or employee of the United States and*  
10          *who will analyze or otherwise have access to such*  
11          *software, which provides that such person agrees*  
12          *not to—*

13           *“(i) disclose such software to any per-*  
14           *son other than authorized employees or*  
15           *agents of the Secretary during and after*  
16           *employment by the Secretary, or*

17           *“(ii) participate for 2 years in the de-*  
18           *velopment of software which is intended for*  
19           *a similar purpose as the software examined.*

20          *For purposes of subparagraph (C), the owner shall*  
21          *make available any necessary equipment or materials*  
22          *for analysis of computer software source code required*  
23          *to be conducted on the owner’s premises. The owner*  
24          *of any interest in the software shall be considered a*

1        *party to any agreement described in subparagraph*  
2        *(G).*

3        “(d) *DEFINITIONS.—For purposes of this section—*

4                “(1) *SOFTWARE.—The term ‘software’ includes*  
5        *computer software source code and computer software*  
6        *executable code.*

7                “(2) *COMPUTER SOFTWARE SOURCE CODE.—The*  
8        *term ‘computer software source code’ means—*

9                        “(A) *the code written by a programmer*  
10        *using a programming language which is com-*  
11        *prehensible to appropriately trained persons, is*  
12        *not machine readable, and is not capable of di-*  
13        *rectly being used to give instructions to a com-*  
14        *puter,*

15                       “(B) *related programmers’ notes, design*  
16        *documents, memoranda, and similar documenta-*  
17        *tion, and*

18                       “(C) *related customer communications.*

19                “(3) *COMPUTER SOFTWARE EXECUTABLE*  
20        *CODE.—The term ‘computer software executable code’*  
21        *means—*

22                       “(A) *any object code, machine code, or other*  
23        *code readable by a computer when loaded into its*  
24        *memory and used directly by such computer to*  
25        *execute instructions, and*

1                   “(B) *any related user manuals.*

2                   “(4) *OWNER.—The term ‘owner’ shall, with re-*  
3                   *spect to any software, include the developer of the soft-*  
4                   *ware.*

5                   “(5) *RELATED PERSON.—A person shall be treat-*  
6                   *ed as related to another person if such persons are re-*  
7                   *lated persons under section 267 or 707(b).’.*”

8                   (b) *UNAUTHORIZED DISCLOSURE OF SOFTWARE.—*  
9                   *Section 7213 (relating to unauthorized disclosure of infor-*  
10                  *mation) is amended by redesignating subsection (d) as sub-*  
11                  *section (e) and by inserting after subsection (c) the follow-*  
12                  *ing:*

13                  “(d) *DISCLOSURE OF SOFTWARE.—Any person who*  
14                  *willfully divulges or makes known software (as defined in*  
15                  *section 7612(d)(1)) to any person in violation of section*  
16                  *7612 shall be guilty of a felony and, upon conviction there-*  
17                  *of, shall be fined not more than \$5,000, or imprisoned not*  
18                  *more than 5 years, or both, together with the costs of pros-*  
19                  *ecution.’.*”

20                  (c) *APPLICATION OF SPECIAL PROCEDURES FOR*  
21                  *THIRD-PARTY SUMMONSES.—Paragraph (2) of section*  
22                  *7603(b), as amended by section 3416(a), is amended by*  
23                  *striking “and” at the end of subparagraph (H), by striking*  
24                  *a period at the end of subparagraph (I) and inserting “,*  
25                  *and”, and by adding at the end the following:*

4        *Subparagraph (J) shall apply only with respect to a*  
5        *summons requiring the production of the source code*  
6        *referred to in subparagraph (J) or the program and*  
7        *data described in section 7612(b)(1)(A)(ii) to which*  
8        *such source code relates.”.*

9 (d) CONFORMING AMENDMENT.—The table of sections  
10 for subchapter A of chapter 78 is amended by striking the  
11 item relating to section 7612 and by inserting the following:

*“Sec. 7613. Cross references.”.*

12      (e) *EFFECTIVE DATE*.—

13           (1) *IN GENERAL.*—*The amendments made by*  
14       *this section shall apply to summonses issued, and*  
15       *software acquired, after the date of the enactment of*  
16       *this Act.*

(2) *SOFTWARE PROTECTION.*—In the case of any software acquired on or before such date of enactment, the requirements of section 7612(a)(2) of the Internal Revenue Code of 1986 (as added by such amendments) shall apply after the 90th day after such date. The preceding sentence shall not apply to the requirement under section 7612(c)(2)(G)(ii) of such Code (as so added).

1 **SEC. 3414. THREAT OF AUDIT PROHIBITED TO COERCE TIP**  
 2 **REPORTING ALTERNATIVE COMMITMENT**  
 3 **AGREEMENTS.**

4 *The Secretary of the Treasury or the Secretary's dele-*  
 5 *gate shall instruct employees of the Internal Revenue Serv-*  
 6 *ice that they may not threaten to audit any taxpayer in*  
 7 *an attempt to coerce the taxpayer into entering into a Tip*  
 8 *Reporting Alternative Commitment Agreement.*

9 **SEC. 3415. TAXPAYERS ALLOWED MOTION TO QUASH ALL**  
 10 **THIRD-PARTY SUMMONSES.**

11 *(a) IN GENERAL.—Paragraph (1) of section 7609(a)*  
 12 *(relating to summonses to which section applies) is amend-*  
 13 *ed by striking so much of such paragraph as precedes “no-*  
 14 *tice of the summons” and inserting the following:*

15 *“(1) IN GENERAL.—If any summons to which*  
 16 *this section applies requires the giving of testimony*  
 17 *on, or the production of any portion of records made*  
 18 *or kept on, any person (other than the person sum-*  
 19 *moned) who is identified in the summons, then”.*

20 *(b) CONFORMING AMENDMENTS.—*

21 *(1) Subsection (a) of section 7609 is amended by*  
 22 *striking paragraphs (3) and (4), by redesignating*  
 23 *paragraph (5) as paragraph (3), and by striking in*  
 24 *paragraph (3) (as so redesignated) “subsection*  
 25 *(c)(2)(B)” and inserting “subsection (c)(2)(D)”.*

1           (2) *Subsection (c) of section 7609 is amended to*  
2           *read as follows:*

3           “(c) *SUMMONS TO WHICH SECTION APPLIES.—*

4                 “(1) *IN GENERAL.—Except as provided in para-*  
5                 *graph (2), this section shall apply to any summons*  
6                 *issued under paragraph (2) of section 7602(a) or*  
7                 *under section 6420(e)(2), 6421(g)(2), or 6427(j)(2).*

8                 “(2) *EXCEPTIONS.—This section shall not apply*  
9                 *to any summons—*

10                         “(A) *served on the person with respect to*  
11                         *whose liability the summons is issued, or any of-*  
12                         *ficer or employee of such person,*

13                         “(B) *issued to determine whether or not*  
14                         *records of the business transactions or affairs of*  
15                         *an identified person have been made or kept,*

16                         “(C) *issued solely to determine the identity*  
17                         *of any person having a numbered account (or*  
18                         *similar arrangement) with a bank or other insti-*  
19                         *tution described in section 7603(b)(2)(A),*

20                         “(D) *issued in aid of the collection of—*

21                                 “(i) *an assessment made or judgment*  
22                                 *rendered against the person with respect to*  
23                                 *whose liability the summons is issued, or*

1                   “(ii) the liability at law or in equity  
2                   of any transferee or fiduciary of any person  
3                   referred to in clause (i),

4                   “(E)(i) issued by a criminal investigator of  
5                   the Internal Revenue Service in connection with  
6                   the investigation of an offense connected with the  
7                   administration or enforcement of the internal  
8                   revenue laws, and

9                   “(ii) served on any person who is not a  
10                  third-party recordkeeper (as defined in section  
11                  7603(b)), or

12                  “(F) described in subsection (f) or (g).

13                  “(3) RECORDS.—For purposes of this section, the  
14                  term ‘records’ includes books, papers, and other  
15                  data.”.

16                  (3) Paragraph (2) of section 7609(e) is amended  
17                  by striking “third-party recordkeeper’s” and all that  
18                  follows through “subsection (f)” and inserting “sum-  
19                  moned party’s response to the summons”.

20                  (4) Subsection (f) of section 7609 is amended—

21                         (A) by striking “described in subsection (c)”  
22                         and inserting “described in subsection (c)(1)”,  
23                         and

24                         (B) by inserting “or testimony” after  
25                         “records” in paragraph (3).



1           (5) Subsection (g) of section 7609 is amended by  
 2           striking “In the case of any summons described in  
 3           subsection (c), the provisions of subsections (a)(1) and  
 4           (b) shall not apply if” and inserting “A summons is  
 5           described in this subsection if”.

6           (6)(A) Subsection (i) of section 7609 is amended  
 7           by striking “THIRD-PARTY RECORDKEEPER AND” in  
 8           the subsection heading.

9           (B) Paragraph (1) of section 7609(i) is amended  
 10          by striking “described in subsection (c), the third-  
 11          party recordkeeper” and inserting “to which this sec-  
 12          tion applies for the production of records, the sum-  
 13          moned party”.

14          (C) Paragraph (2) of section 7609(i) is amend-  
 15          ed—

16               (i) by striking “RECORDKEEPER” in the  
 17               heading and inserting “SUMMONED PARTY”, and

18               (ii) by striking “the third-party record-  
 19               keeper” and inserting “the summoned party”.

20          (D) Paragraph (3) of section 7609(i) is amended  
 21          to read as follows:

22               “(3) PROTECTION FOR SUMMONED PARTY WHO  
 23               DISCLOSES.—Any summoned party, or agent or em-  
 24               ployee thereof, making a disclosure of records or testi-  
 25               mony pursuant to this section in good faith reliance

8 **SEC. 3416. SERVICE OF SUMMONSES TO THIRD-PARTY REC-**  
9 **ORDKEEPERS PERMITTED BY MAIL.**

14       “(b) *SERVICE BY MAIL TO THIRD-PARTY RECORD-*  
15 *KEEPERS.*—

21 “(2) *THIRD-PARTY RECORDKEEPER.*—For pur-  
22 poses of paragraph (1), the term ‘third-party record-  
23 keeper’ means—

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1        *other savings institution chartered and super-*  
2        *vised as a savings and loan or similar associa-*  
3        *tion under Federal or State law, any bank (as*  
4        *defined in section 581), or any credit union*  
5        *(within the meaning of section 501(c)(14)(A));*

6                *“(B) any consumer reporting agency (as de-*  
7        *defined under section 603(f) of the Fair Credit Re-*  
8        *porting Act (15 U.S.C. 1681a(f));*

9                *“(C) any person extending credit through*  
10        *the use of credit cards or similar devices;*

11               *“(D) any broker (as defined in section*  
12        *3(a)(4) of the Securities Exchange Act of 1934*  
13        *(15 U.S.C. 78c(a)(4));*

14               *“(E) any attorney;*

15               *“(F) any accountant;*

16               *“(G) any barter exchange (as defined in sec-*  
17        *tion 6045(c)(3));*

18               *“(H) any regulated investment company (as*  
19        *defined in section 851) and any agent of such*  
20        *regulated investment company when acting as*  
21        *an agent thereof, and*

22               *“(I) any enrolled agent.”.*

23        *(b) EFFECTIVE DATE.—The amendment made by this*  
24        *section shall apply to summonses served after the date of*  
25        *the enactment of this Act.*

1 **SEC. 3417. PROHIBITION ON IRS CONTACT OF THIRD PAR-**  
 2 **TIES WITHOUT PRIOR NOTICE.**

3 (a) *IN GENERAL.*—Section 7602 (relating to examina-  
 4 tion of books and witnesses), as amended by section 3412,  
 5 is amended by redesignating subsections (c) and (d) as sub-  
 6 sections (d) and (e), respectively, and by inserting after sub-  
 7 section (b) the following new subsection:

8 “(c) *LIMITATION OF AUTHORITY TO CONTACT THIRD*  
 9 *PARTIES.*—An officer or employee of the Internal Revenue  
 10 Service may not contact any person other than the taxpayer  
 11 with respect to the determination or collection of the tax  
 12 liability of such taxpayer without providing reasonable no-  
 13 tice to the taxpayer that such contact will be made. This  
 14 subsection shall not apply—

15 “(1) to any contact which the taxpayer has au-  
 16 thorized,

17 “(2) if the Secretary determines for good cause  
 18 shown that such notice would jeopardize collection of  
 19 any tax, or

20 “(3) with respect to any pending criminal inves-  
 21 tigation.”.

22 (b) *EFFECTIVE DATE.*—The amendments made by this  
 23 section shall apply to contacts made after the 180th day  
 24 after the date of the enactment of this Act.

**PART III—COLLECTION ACTIVITIES**

**Subpart A—Approval Process**

**SEC. 3421. APPROVAL PROCESS FOR LIENS, LEVIES, AND SEIZURES.**

(a) *IN GENERAL.*—The Commissioner of Internal Revenue shall develop and implement procedures under which—

(1) a determination by an employee to file a notice of lien or levy with respect to, or to levy or seize, any property or right to property would, where appropriate, be required to be reviewed by a supervisor of the employee before the action was taken, and

(2) appropriate disciplinary action would be taken against the employee or supervisor where the procedures under paragraph (1) were not followed.

(b) *REVIEW PROCESS.*—The review process under subsection (a)(1) may include a certification that the employee has—

(1) reviewed the taxpayer's information,

(2) verified that a balance is due, and

(3) affirmed that the action proposed to be taken is appropriate given the taxpayer's circumstances, considering the amount due and the value of the property or right to property.

(c) *EFFECTIVE DATE.*—The amendments made by this section shall take effect on the date of the enactment of this

1 *Act, except for automated collection system actions initiated*  
 2 *before January 1, 2000.*

3 ***Subpart B—Liens and Levies***

4 ***SEC. 3431. MODIFICATIONS TO CERTAIN LEVY EXEMPTION***  
 5 ***AMOUNTS.***

6 (a) *FUEL, ETC.*—Section 6334(a)(2) (relating to fuel,  
 7 provisions, furniture, and personal effects) is amended by  
 8 striking “\$2,500” and inserting “\$10,000”.

9 (b) *BOOKS, ETC.*—Section 6334(a)(3) (relating to  
 10 books and tools of a trade, business, or profession) is amend-  
 11 ed by striking “\$1,250” and inserting “\$5,000”.

12 (c) *CONFORMING AMENDMENT* .—Section 6334(g)(1)  
 13 (relating to inflation adjustment) is amended—

14 (1) by striking “1997” and inserting “1999”,  
 15 and

16 (2) by striking “1996” in subparagraph (B) and  
 17 inserting “1998”.

18 (d) *EFFECTIVE DATE.*—The amendments made by this  
 19 section shall take effect with respect to levies issued after  
 20 the date of the enactment of this Act.

21 ***SEC. 3432. RELEASE OF LEVY UPON AGREEMENT THAT***  
 22 ***AMOUNT IS UNCOLLECTIBLE.***

23 (a) *IN GENERAL.*—Section 6343 (relating to authority  
 24 to release levy and return property) is amended by adding  
 25 at the end the following new subsection:

1       “(e) *IMMEDIATE RELEASE OF LEVY UPON AGREE-*  
 2 *MENT THAT AMOUNT IS NOT COLLECTIBLE.*—*In the case*  
 3 *of a levy on the salary or wages payable to or received by*  
 4 *the taxpayer, upon agreement with the taxpayer that the*  
 5 *tax is not collectible, the Secretary shall immediately release*  
 6 *such levy before any intervening salary or wage payment*  
 7 *period.*”.

8       (b) *EFFECTIVE DATE.*—*The amendment made by this*  
 9 *section shall apply to levies imposed after December 31,*  
 10 *1999.*

11 **SEC. 3433. LEVY PROHIBITED DURING PENDENCY OF RE-**  
 12 **FUND PROCEEDINGS.**

13       (a) *IN GENERAL.*—*Section 6331 (relating to levy and*  
 14 *distrain) is amended by redesignating subsection (i) as*  
 15 *subsection (j) and by inserting after subsection (h) the fol-*  
 16 *lowing new subsection:*

17       “(i) *NO LEVY DURING PENDENCY OF PROCEEDINGS*  
 18 *FOR REFUND OF DIVISIBLE TAX.*—

19               “(1) *IN GENERAL.*—*No levy may be made under*  
 20 *subsection (a) on the property or rights to property*  
 21 *of any person with respect to any unpaid divisible*  
 22 *tax during the pendency of any proceeding brought by*  
 23 *such person in a proper court for the recovery of any*  
 24 *portion of such divisible tax which was paid by such*  
 25 *person if—*

1           “(A) the decision in such proceeding would  
2           be *res judicata* with respect to such unpaid tax,  
3           or

4           “(B) such person would be collaterally es-  
5           topped from contesting such unpaid tax by rea-  
6           son of such proceeding.

7           “(2) *DIVISIBLE TAX*.—For purposes of para-  
8           graph (1), the term ‘divisible tax’ means—

9           “(A) any tax imposed by subtitle C, and

10           “(B) the penalty imposed by section 6672  
11           with respect to any such tax.

12           “(3) *EXCEPTIONS*.—

13           “(A) *CERTAIN UNPAID TAXES*.—This sub-  
14           section shall not apply with respect to any un-  
15           paid tax if—

16           “(i) the taxpayer files a written notice  
17           with the Secretary which waives the restric-  
18           tion imposed by this subsection on levy with  
19           respect to such tax, or

20           “(ii) the Secretary finds that the collec-  
21           tion of such tax is in jeopardy.

22           “(B) *CERTAIN LEVIES*.—This subsection  
23           shall not apply to—

24           “(i) any levy to carry out an offset  
25           under section 6402, and



1                   “(ii) any levy which was first made  
2                   before the date that the applicable proceed-  
3                   ing under this subsection commenced.

4                   “(4) *LIMITATION ON COLLECTION ACTIVITY; AU-*  
5                   *THORITY TO ENJOIN COLLECTION.*—

6                   “(A) *LIMITATION ON COLLECTION.*—No pro-  
7                   ceeding in court for the collection of any unpaid  
8                   tax to which paragraph (1) applies shall be  
9                   begun by the Secretary during the pendency of a  
10                  proceeding under such paragraph. This subpara-  
11                 graph shall not apply to—

12                 “(i) any counterclaim in a proceeding  
13                 under such paragraph, or

14                 “(ii) any proceeding relating to a pro-  
15                 ceeding under such paragraph.

16                 “(B) *AUTHORITY TO ENJOIN.*—Notwith-  
17                 standing section 7421(a), a levy or collection  
18                 proceeding prohibited by this subsection may be  
19                 enjoined (during the period such prohibition is  
20                 in force) by the court in which the proceeding  
21                 under paragraph (1) is brought.

22                 “(5) *SUSPENSION OF STATUTE OF LIMITATIONS*  
23                 *ON COLLECTION.*—The period of limitations under  
24                 section 6502 shall be suspended for the period during

1       *which the Secretary is prohibited under this sub-*  
 2       *section from making a levy.*

3               “(6) *PENDENCY OF PROCEEDING.*—*For purposes*  
 4       *of this subsection, a proceeding is pending beginning*  
 5       *on the date such proceeding commences and ending on*  
 6       *the date the decision in such proceeding becomes*  
 7       *final.”.*

8       (b) *EFFECTIVE DATE.*—*The amendment made by this*  
 9       *section shall apply to unpaid tax attributable to taxable*  
 10       *periods beginning after December 31, 1998.*

11   **SEC. 3434. APPROVAL REQUIRED FOR JEOPARDY AND TER-**  
 12               **MINATION ASSESSMENTS AND JEOPARDY**  
 13               **LEVIES.**

14       (a) *IN GENERAL.*—*Paragraph (1) of section 7429(a)*  
 15       *(relating to review of jeopardy levy or assessment proce-*  
 16       *dures) is amended to read as follows:*

17               “(1) *ADMINISTRATIVE REVIEW.*—

18               “(A) *PRIOR APPROVAL REQUIRED.*—*No as-*  
 19       *essment may be made under section 6851(a),*  
 20       *6852(a), 6861(a), or 6862, and no levy may be*  
 21       *made under section 6331(a) less than 30 days*  
 22       *after notice and demand for payment is made,*  
 23       *unless the Chief Counsel for the Internal Revenue*  
 24       *Service (or such Counsel’s delegate) personally*  
 25       *approves (in writing) such assessment or levy.*

1           “(B) *INFORMATION TO TAXPAYER.*—Within  
 2           5 days after the day on which such an assess-  
 3           ment or levy is made, the Secretary shall provide  
 4           the taxpayer with a written statement of the in-  
 5           formation upon which the Secretary relied in  
 6           making such assessment or levy.”.

7           (b) *EFFECTIVE DATE.*—The amendment made by this  
 8           section shall apply to taxes assessed and levies made after  
 9           the date of the enactment of this Act.

10   **SEC. 3435. INCREASE IN AMOUNT OF CERTAIN PROPERTY**  
 11           **ON WHICH LIEN NOT VALID.**

12           (a) *CERTAIN PROPERTY.*—

13                   (1) *IN GENERAL.*—Subsection (b) of section 6323  
 14           (relating to validity and priority against certain per-  
 15           sons) is amended—

16                           (A) by striking “\$250” in paragraph (4)  
 17                           (relating to personal property purchased in cas-  
 18                           ual sale) and inserting “\$1,000”, and

19                           (B) by striking “\$1,000” in paragraph (7)  
 20                           (relating to residential property subject to a me-  
 21                           chanic’s lien for certain repairs and improve-  
 22                           ments) and inserting “\$5,000”.

23                   (2) *INFLATION ADJUSTMENT.*—Subsection (i) of  
 24           section 6323 (relating to special rules) is amended by  
 25           adding at the end the following new paragraph:

1           “(4) *COST-OF-LIVING ADJUSTMENT.*—*In the case*  
 2           *of notices of liens imposed by section 6321 which are*  
 3           *filed in any calendar year after 1998, each of the dol-*  
 4           *lar amounts under paragraph (4) or (7) of subsection*  
 5           *(b) shall be increased by an amount equal to—*

6                     “(A) *such dollar amount, multiplied by*  
 7                     “(B) *the cost-of-living adjustment deter-*  
 8                     *mined under section 1(f)(3) for the calendar*  
 9                     *year, determined by substituting ‘calendar year*  
 10                    *1996’ for ‘calendar year 1992’ in subparagraph*  
 11                    *(B) thereof.*

12           *If any amount as adjusted under the preceding sen-*  
 13           *tence is not a multiple of \$10, such amount shall be*  
 14           *rounded to the nearest multiple of \$10.”.*

15           (b) *EXPANSION OF TREATMENT OF PASSBOOK*  
 16 *LOANS.*—*Paragraph (10) of section 6323(b) is amended—*

17                     (1) *by striking “PASSBOOK LOANS” in the head-*  
 18                     *ing and inserting “DEPOSIT-SECURED LOANS”,*

19                     (2) *by striking “, evidenced by a passbook,”, and*

20                     (3) *by striking all that follows “secured by such*  
 21                     *account” and inserting a period.*

22           (c) *EFFECTIVE DATE.*—*The amendments made by this*  
 23           *section shall take effect on the date of the enactment of this*  
 24           *Act.*

1 **SEC. 3436. WAIVER OF EARLY WITHDRAWAL TAX FOR IRS**  
 2 **LEVIES ON EMPLOYER-SPONSORED RETIRE-**  
 3 **MENT PLANS OR IRAS.**

4 (a) *IN GENERAL.*—Section 72(t)(2)(A) (relating to  
 5 subsection not to apply to certain distributions) is amended  
 6 by striking “or” at the end of clauses (iv) and (v), by strik-  
 7 ing the period at the end of clause (vi) and inserting “,  
 8 or”, and by adding at the end the following new clause:

9 “(vii) made on account of a levy under  
 10 section 6331 on the qualified retirement  
 11 plan.”.

12 (b) *EFFECTIVE DATE.*—The amendments made by this  
 13 section shall apply to levies made after December 31, 1999.

14 **Subpart C—Seizures**

15 **SEC. 3441. PROHIBITION OF SALES OF SEIZED PROPERTY**  
 16 **AT LESS THAN MINIMUM BID.**

17 (a) *IN GENERAL.*—Section 6335(e)(1)(A)(i) (relating  
 18 to determinations relating to minimum price) is amended  
 19 by striking “a minimum price for which such property  
 20 shall be sold” and inserting “a minimum price below which  
 21 such property shall not be sold”.

22 (b) *REFERENCE TO PENALTY FOR VIOLATION.*—Sec-  
 23 tion 6335(e) is amended by adding at the end the following  
 24 new paragraph:

1 “(4) *CROSS REFERENCE.*—

“*For provision providing for civil damages for violation of paragraph (1)(A)(i), see section 7433.*”

2 **SEC. 3442. ACCOUNTING OF SALES OF SEIZED PROPERTY.**

3 (a) *IN GENERAL.*—Section 6340 (relating to records  
4 of sale) is amended—

5 (1) in subsection (a)—

6 (A) by striking “real”, and

7 (B) by inserting “or certificate of sale of  
8 personal property” after “deed”, and

9 (2) by adding at the end the following new sub-  
10 section:

11 “(c) *ACCOUNTING TO TAXPAYER.*—The taxpayer with  
12 respect to whose liability the sale was conducted or who re-  
13 deemed the property shall be furnished—

14 “(1) the record under subsection (a) (other than  
15 the names of the purchasers),

16 “(2) the amount from such sale applied to the  
17 taxpayer’s liability, and

18 “(3) the remaining balance of such liability.”

19 (b) *EFFECTIVE DATE.*—The amendments made by this  
20 section shall apply to seizures occurring after the date of  
21 the enactment of this Act.

22 **SEC. 3443. UNIFORM ASSET DISPOSAL MECHANISM.**

23 Not later than the date which is 2 years after the date  
24 of the enactment of this Act, the Secretary of the Treasury

1 *or the Secretary's delegate shall implement a uniform asset*  
 2 *disposal mechanism for sales under section 6335 of the In-*  
 3 *ternal Revenue Code of 1986. The mechanism should be de-*  
 4 *signed to remove any participation in such sales by revenue*  
 5 *officers of the Internal Revenue Service and should consider*  
 6 *the use of outsourcing.*

7 **SEC. 3444. CODIFICATION OF IRS ADMINISTRATIVE PROCE-**  
 8 **DURES FOR SEIZURE OF TAXPAYER'S PROP-**  
 9 **ERTY.**

10 *(a) IN GENERAL.—Section 6331 (relating to levy and*  
 11 *distrain), as amended by section 3401(c), is amended by*  
 12 *inserting after subsection (c) the following new subsection:*

13 *“(d) NO LEVY BEFORE INVESTIGATION OF STATUS OF*  
 14 *PROPERTY.—*

15 *“(1) IN GENERAL.—For purposes of applying the*  
 16 *provisions of this subchapter, no levy may be made on*  
 17 *any property or right to property until a thorough*  
 18 *investigation of the status of such property has been*  
 19 *completed.*

20 *“(2) ELEMENTS IN INVESTIGATION.—For pur-*  
 21 *poses of paragraph (1), an investigation of the status*  
 22 *of any property shall include—*

23 *“(A) a verification of the taxpayer's liabil-*  
 24 *ity,*

1           “(B) the completion of an analysis under  
2           subsection (f),

3           “(C) the determination that the equity in  
4           such property is sufficient to yield net proceeds  
5           from the sale of such property to apply to such  
6           liability, and

7           “(D) a thorough consideration of alternative  
8           collection methods.”.

9           (b) *EFFECTIVE DATE.*—The amendments made by this  
10          section shall take effect on the date of the enactment of this  
11          Act.

12       **SEC. 3445. PROCEDURES FOR SEIZURE OF RESIDENCES**  
13               **AND BUSINESSES.**

14          (a) *IN GENERAL.*—Section 6334(a)(13) (relating to  
15          property exempt from levy) is amended to read as follows:

16               “(13) *RESIDENCES EXEMPT IN SMALL DEFICI-*  
17               *ENCY CASES AND PRINCIPAL RESIDENCES AND CER-*  
18               *TAIN BUSINESS ASSETS EXEMPT IN ABSENCE OF CER-*  
19               *TAIN APPROVAL OR JEOPARDY.*—

20               “(A) *RESIDENCES IN SMALL DEFICIENCY*  
21               *CASES.*—If the amount of the levy does not ex-  
22               ceed \$5,000, any real property used as a resi-  
23               dence by the taxpayer or any other individual.

24               “(B) *PRINCIPAL RESIDENCES AND CERTAIN*  
25               *BUSINESS ASSETS.*—Except to the extent pro-



1            *vided in subsection (e), the principal residence of*  
2            *the taxpayer (within the meaning of section*  
3            *121), and assets used in the trade or business of*  
4            *an individual taxpayer.”.*

5            *(b) CONFORMING AMENDMENTS.—Section 6334(e) is*  
6            *amended—*

7            *(1) by striking “subsection (a)(13)” and insert-*  
8            *ing “subsection (a)(13)(B)”,*

9            *(2) by adding at the end the following new flush*  
10           *sentence:*

11           *“An official may not approve a levy under paragraph (1)*  
12           *unless the official determines that the taxpayer’s other assets*  
13           *subject to collection are insufficient to pay the amount due,*  
14           *together with expenses of the proceedings.”, and*

15           *(3) by inserting “AND CERTAIN BUSINESS AS-*  
16           *SETS” after “PRINCIPAL RESIDENCE” in the heading.*

17           *(c) STATE FISH AND WILDLIFE PERMITS.—(1) With*  
18           *respect to permits issued by a State and required under*  
19           *State law for the harvest of fish or wildlife in the trade*  
20           *or business of an individual taxpayer, “other assets” as*  
21           *used in section 3445 shall include future income that may*  
22           *be derived by such taxpayer from the commercial sale of*  
23           *fish or wildlife under such permit.*

24           *(2) The preceding paragraph may not be construed to*  
25           *invalidate or in any way prejudice any assertion that the*

1 *privilege embodied in such permits is not property or a*  
 2 *right to property under the Internal Revenue Code.*

3 (d) *EFFECTIVE DATE.*—*The amendments made by this*  
 4 *section shall take effect on the date of the enactment of this*  
 5 *Act.*

6 **PART IV—PROVISIONS RELATING TO**  
 7 **EXAMINATION AND COLLECTION ACTIVITIES**

8 **SEC. 3461. PROCEDURES RELATING TO EXTENSIONS OF**  
 9 **STATUTE OF LIMITATIONS BY AGREEMENT.**

10 (a) *REPEAL OF AUTHORITY TO EXTEND 10-YEAR*  
 11 *COLLECTION PERIOD AFTER ASSESSMENT.*—*Section*  
 12 *6502(a) (relating to length of period after collection) is*  
 13 *amended—*

14 (1) *by striking paragraph (2) and inserting:*

15 “(2) *if there is a release of levy under section*  
 16 *6343 after such 10-year period, prior to the expira-*  
 17 *tion of any period for collection agreed upon in writ-*  
 18 *ing by the Secretary and the taxpayer before such re-*  
 19 *lease.”, and*

20 (2) *by striking the first sentence in the matter*  
 21 *following paragraph (2).*

22 (b) *NOTICE TO TAXPAYER OF RIGHT TO REFUSE OR*  
 23 *LIMIT EXTENSION.*—*Paragraph (4) of section 6501(c) (re-*  
 24 *lating to the period for limitations on assessment and col-*  
 25 *lection) is amended—*

1           (1) by striking “Where” and inserting the follow-  
2           ing:

3                       “(A) *IN GENERAL.*—Where”, and

4           (2) by adding at the end the following new sub-  
5           paragraph:

6                       “(B) *NOTICE TO TAXPAYER OF RIGHT TO*  
7                       *REFUSE OR LIMIT EXTENSION.*—The Secretary  
8                       shall notify the taxpayer of the taxpayer’s right  
9                       to refuse to extend the period of limitations, or  
10                      to limit such extension to particular issues or to  
11                      a particular period of time, on each occasion  
12                      when the taxpayer is requested to provide such  
13                      consent.”.

14           (c) *EFFECTIVE DATE.*—

15                      (1) *IN GENERAL.*—The amendments made by  
16                      this section shall apply to requests to extend the pe-  
17                      riod of limitations made after December 31, 1999.

18                      (2) *PRIOR REQUEST.*—If, in any request to ex-  
19                      tend the period of limitations made on or before De-  
20                      cember 31, 1999, a taxpayer agreed to extend such pe-  
21                      riod beyond the 10-year period referred to in section  
22                      6502(a) of the Internal Revenue Code of 1986, such  
23                      extension shall expire on the later of—

24                               (A) the last day of such 10-year period, or

25                               (B) December 31, 1999.

1 **SEC. 3462. OFFERS-IN-COMPROMISE.**

2       (a) *STANDARDS FOR EVALUATION OF OFFERS-IN-COM-*  
 3 *PROMISE.*—Section 7122 (relating to offers-in-compromise)  
 4 *is amended by adding at the end the following new sub-*  
 5 *section:*

6       “(c) *STANDARDS FOR EVALUATION OF OFFERS.*—

7               “(1) *IN GENERAL.*—The Secretary shall prescribe  
 8 *guidelines for officers and employees of the Internal*  
 9 *Revenue Service to determine whether an offer-in-*  
 10 *compromise is adequate.*

11              “(2) *ALLOWANCES FOR BASIC LIVING EX-*  
 12 *PENSES.*—

13                   “(A) *IN GENERAL.*—In prescribing guide-  
 14 *lines under paragraph (1), the Secretary shall*  
 15 *develop and publish schedules of national and*  
 16 *local allowances designed to provide that tax-*  
 17 *payers entering into a compromise have an ade-*  
 18 *quate means to provide for basic living expenses.*

19                   “(B) *USE OF SCHEDULES.*—The guidelines  
 20 *shall provide that officers and employees of the*  
 21 *Internal Revenue Service shall determine, on the*  
 22 *basis of the facts and circumstances of each tax-*  
 23 *payer, whether the use of the schedules published*  
 24 *under subparagraph (A) is appropriate and*  
 25 *shall not use the schedules to the extent such use*

1           *would result in the taxpayer not having ade-*  
 2           *quate means to provide for basic living expenses.*

3           “(3) *SPECIAL RULES RELATING TO TREATMENT*  
 4           *OF OFFERS.—The guidelines under paragraph (1)*  
 5           *shall provide that—*

6                     “(A) *an officer or employee of the Internal*  
 7                     *Revenue Service shall not reject an offer-in-com-*  
 8                     *promise from a low-income taxpayer solely on*  
 9                     *the basis of the amount of the offer, and*

10                    “(B) *in the case of an offer-in-compromise*  
 11                    *which relates only to issues of liability of the*  
 12                    *taxpayer—*

13                             “(i) *such offer shall not be rejected sole-*  
 14                             *ly because the Secretary is unable to locate*  
 15                             *the taxpayer’s return or return information*  
 16                             *for verification of such liability, and*

17                             “(ii) *the taxpayer shall not be required*  
 18                             *to provide a financial statement.”.*

19           (b) *LEVY PROHIBITED WHILE OFFER-IN-COMPROMISE*  
 20           *PENDING.—Section 6331 (relating to levy and distraint),*  
 21           *as amended by section 3433, is amended by redesignating*  
 22           *subsection (j) as subsection (k) and by inserting after sub-*  
 23           *section (i) the following new subsection:*

24                     “(j) *NO LEVY WHILE CERTAIN OFFERS PENDING.—*

1           “(1) *OFFER IN COMPROMISE PENDING.*—No levy  
2           may be made under subsection (a) on the property or  
3           rights to property of any person with respect to any  
4           unpaid tax—

5                   “(A) during the period that an offer by such  
6           person in compromise under section 7122 of such  
7           unpaid tax is pending with the Secretary, and

8                   “(B) if such offer is rejected by the Sec-  
9           retary, during the 30 days thereafter (and, if an  
10          appeal of such rejection is filed within such 30  
11          days, during the period that such appeal is  
12          pending).

13          For purposes of subparagraph (A), an offer is pend-  
14          ing beginning on the date the Secretary accepts such  
15          offer for processing.

16               “(2) *CERTAIN RULES TO APPLY.*—Rules similar  
17          to the rules of paragraphs (3), (4), and (5) of sub-  
18          section (i) shall apply for purposes of this sub-  
19          section.”.

20          (c) *REVIEW OF REJECTIONS OF OFFERS-IN-COM-*  
21          *PROMISE AND INSTALLMENT AGREEMENTS.*—

22               (1) *IN GENERAL.*—Section 7122 (relating to  
23          compromises), as amended by subsection (a), is  
24          amended by adding at the end the following:

1       “(d) *ADMINISTRATIVE REVIEW.*—*The Secretary shall*  
2 *establish procedures—*

3               “(1) *for an independent administrative review of*  
4 *any rejection of a proposed offer-in-compromise or in-*  
5 *stallment agreement made by a taxpayer under this*  
6 *section or section 6159 before such rejection is com-*  
7 *municated to the taxpayer, and*

8               “(2) *which allow a taxpayer to appeal any rejec-*  
9 *tion of such offer or agreement to the Internal Reve-*  
10 *nue Service Office of Appeals.”.*

11           (2) *CONFORMING AMENDMENT.*—*Section 6159*  
12 *(relating to installment agreements) is amended by*  
13 *adding at the end the following new subsection:*

14       “(d) *CROSS REFERENCE.*—

***“For rights to administrative review and appeal,  
see section 7122(d).”.***

15       (d) *PREPARATION OF STATEMENT RELATING TO OF-*  
16 *FERS-IN-COMPROMISE.*—*The Secretary of the Treasury*  
17 *shall prepare a statement which sets forth in simple, non-*  
18 *technical terms the rights of a taxpayer and the obligations*  
19 *of the Internal Revenue Service relating to offers-in-com-*  
20 *promise. Such statement shall—*

21               (1) *advise taxpayers who have entered into a*  
22 *compromise of the advantages of promptly notifying*  
23 *the Internal Revenue Service of any change of address*  
24 *or marital status,*

1           (2) *provide notice to taxpayers that in the case*  
 2           *of a compromise terminated due to the actions of 1*  
 3           *spouse or former spouse, the Internal Revenue Service*  
 4           *will, upon application, reinstate such compromise*  
 5           *with the spouse or former spouse who remains in*  
 6           *compliance with such compromise, and*

7           (3) *provide notice to the taxpayer that the tax-*  
 8           *payer may appeal the rejection of an offer-in-com-*  
 9           *promise to the Internal Revenue Service Office of Ap-*  
 10          *peals.*

11          (e) *EFFECTIVE DATES.—*

12           (1) *IN GENERAL.—The amendments made by*  
 13           *this section shall apply to proposed offers-in-com-*  
 14           *promise and installment agreements submitted after*  
 15           *the date of the enactment of this Act.*

16           (2) *SUSPENSION OF COLLECTION BY LEVY.—The*  
 17           *amendment made by subsection (b) shall apply to of-*  
 18           *fers-in-compromise pending on or made after Decem-*  
 19           *ber 31, 1999.*

20          **SEC. 3463. NOTICE OF DEFICIENCY TO SPECIFY DEADLINES**  
 21                                   **FOR FILING TAX COURT PETITION.**

22           (a) *IN GENERAL.—The Secretary of the Treasury or*  
 23           *the Secretary's delegate shall include on each notice of defi-*  
 24           *ciency under section 6212 of the Internal Revenue Code of*  
 25           *1986 the date determined by such Secretary (or delegate)*



1 *as the last day on which the taxpayer may file a petition*  
 2 *with the Tax Court.*

3 (b) *LATER FILING DEADLINES SPECIFIED ON NOTICE*  
 4 *OF DEFICIENCY TO BE BINDING.*—Subsection (a) of section  
 5 6213 (relating to restrictions applicable to deficiencies; peti-  
 6 tion to Tax Court) is amended by adding at the end the  
 7 following new sentence: “Any petition filed with the Tax  
 8 Court on or before the last date specified for filing such peti-  
 9 tion by the Secretary in the notice of deficiency shall be  
 10 treated as timely filed.”.

11 (c) *EFFECTIVE DATE.*—Subsection (a) and the amend-  
 12 ment made by subsection (b) shall apply to notices mailed  
 13 after December 31, 1998.

14 **SEC. 3464. REFUND OR CREDIT OF OVERPAYMENTS BEFORE**  
 15 **FINAL DETERMINATION.**

16 (a) *TAX COURT PROCEEDINGS.*—Subsection (a) of sec-  
 17 tion 6213 is amended—

18 (1) by striking “, including the Tax Court.” and  
 19 inserting “, including the Tax Court, and a refund  
 20 may be ordered by such court of any amount collected  
 21 within the period during which the Secretary is pro-  
 22 hibited from collecting by levy or through a proceed-  
 23 ing in court under the provisions of this subsection.”,  
 24 and

1           (2) by striking “to enjoin any action or proceed-  
2           ing” and inserting “to enjoin any action or proceed-  
3           ing or order any refund”.

4           (b) *OTHER PROCEEDINGS.*—Subsection (a) of section  
5 6512 is amended by striking the period at the end of para-  
6 graph (4) and inserting “, and”, and by inserting after  
7 paragraph (4) the following new paragraphs:

8           “(5) As to any amount collected within the pe-  
9           riod during which the Secretary is prohibited from  
10          making the assessment or from collecting by levy or  
11          through a proceeding in court under the provisions of  
12          section 6213(a), and

13          “(6) As to overpayments the Secretary is author-  
14          ized to refund or credit pending appeal as provided  
15          in subsection (b).”.

16          (c) *REFUND OR CREDIT PENDING APPEAL.*—Para-  
17 graph (1) of section 6512(b) is amended by adding at the  
18 end the following new sentence: “If a notice of appeal in  
19 respect of the decision of the Tax Court is filed under section  
20 7483, the Secretary is authorized to refund or credit the  
21 overpayment determined by the Tax Court to the extent the  
22 overpayment is not contested on appeal.”.

23          (d) *EFFECTIVE DATE.*—The amendments made by this  
24 section shall take effect on the date of the enactment of this  
25 Act.

1 **SEC. 3465. IRS PROCEDURES RELATING TO APPEALS OF EX-**  
 2 **AMINATIONS AND COLLECTIONS.**

3 (a) *DISPUTE RESOLUTION PROCEDURES.*—

4 (1) *IN GENERAL.*—Chapter 74 (relating to clos-  
 5 ing agreements and compromises) is amended by re-  
 6 designating section 7123 as section 7124 and by in-  
 7 serting after section 7122 the following new section:

8 **“SEC. 7123. APPEALS DISPUTE RESOLUTION PROCEDURES.**

9 **“(a) EARLY REFERRAL TO APPEALS PROCEDURES.**—  
 10 *The Secretary shall prescribe procedures by which any tax-*  
 11 *payer may request early referral of 1 or more unresolved*  
 12 *issues from the examination or collection division to the In-*  
 13 *ternal Revenue Service Office of Appeals.*

14 **“(b) ALTERNATIVE DISPUTE RESOLUTION PROCE-**  
 15 **DURES.**—

16 **“(1) MEDIATION.**—*The Secretary shall prescribe*  
 17 *procedures under which a taxpayer or the Internal*  
 18 *Revenue Service Office of Appeals may request non-*  
 19 *binding mediation on any issue unresolved at the*  
 20 *conclusion of—*

21 **“(A) appeals procedures, or**

22 **“(B) unsuccessful attempts to enter into a**  
 23 *closing agreement under section 7121 or a com-*  
 24 *promise under section 7122.*

25 **“(2) ARBITRATION.**—*The Secretary shall estab-*  
 26 *lish a pilot program under which a taxpayer and the*

1        *Internal Revenue Service Office of Appeals may joint-*  
 2        *ly request binding arbitration on any issue unre-*  
 3        *solved at the conclusion of—*

4                *“(A) appeals procedures, or*

5                *“(B) unsuccessful attempts to enter into a*  
 6                *closing agreement under section 7121 or a com-*  
 7                *promise under section 7122.”.*

8                *(2) CONFORMING AMENDMENT.—The table of sec-*  
 9        *tions for chapter 74 is amended by striking the item*  
 10       *relating to section 7123 and inserting the following*  
 11       *new items:*

*“Sec. 7123. Appeals dispute resolution procedures.*

*“Sec. 7124. Cross references.”.*

12        *(b) APPEALS OFFICERS IN EACH STATE.—The Com-*  
 13       *missioner of Internal Revenue shall ensure that an appeals*  
 14       *officer is regularly available within each State.*

15        *(c) APPEALS VIDEOCONFERENCING ALTERNATIVE FOR*  
 16       *RURAL AREAS.—The Commissioner of Internal Revenue*  
 17       *shall consider the use of the videoconferencing of appeals*  
 18       *conferences between appeals officers and taxpayers seeking*  
 19       *appeals in rural or remote areas.*

20       **SEC. 3466. APPLICATION OF CERTAIN FAIR DEBT COLLEC-**  
 21       **TION PROCEDURES.**

22        *(a) IN GENERAL.—Subchapter A of chapter 64 (relat-*  
 23       *ing to collection) is amended by inserting after section 6303*  
 24       *the following new section:*

1 **“SEC. 6304. FAIR TAX COLLECTION PRACTICES.**

2       “(a) *COMMUNICATION WITH THE TAXPAYER.*—With-  
3 *out the prior consent of the taxpayer given directly to the*  
4 *Secretary or the express permission of a court of competent*  
5 *jurisdiction, the Secretary may not communicate with a*  
6 *taxpayer in connection with the collection of any unpaid*  
7 *tax—*

8               “(1) *at any unusual time or place or a time or*  
9 *place known or which should be known to be incon-*  
10 *venient to the taxpayer;*

11              “(2) *if the Secretary knows the taxpayer is rep-*  
12 *resented by any person authorized to practice before*  
13 *the Internal Revenue Service with respect to such un-*  
14 *paid tax and has knowledge of, or can readily ascer-*  
15 *tain, such person’s name and address, unless such*  
16 *person fails to respond within a reasonable period of*  
17 *time to a communication from the Secretary or unless*  
18 *such person consents to direct communication with*  
19 *the taxpayer; or*

20              “(3) *at the taxpayer’s place of employment if the*  
21 *Secretary knows or has reason to know that the tax-*  
22 *payer’s employer prohibits the taxpayer from receiv-*  
23 *ing such communication.*

24 *In the absence of knowledge of circumstances to the con-*  
25 *trary, the Secretary shall assume that the convenient time*

1 *for communicating with a taxpayer is after 8 a.m. and be-*  
2 *fore 9 p.m., local time at the taxpayer's location.*

3       “(b) *PROHIBITION OF HARASSMENT AND ABUSE.—The*  
4 *Secretary may not engage in any conduct the natural con-*  
5 *sequence of which is to harass, oppress, or abuse any person*  
6 *in connection with the collection of any unpaid tax. With-*  
7 *out limiting the general application of the foregoing, the*  
8 *following conduct is a violation of this subsection:*

9               “(1) *The use or threat of use of violence or other*  
10 *criminal means to harm the physical person, reputa-*  
11 *tion, or property of any person.*

12               “(2) *The use of obscene or profane language or*  
13 *language the natural consequence of which is to abuse*  
14 *the hearer or reader.*

15               “(3) *Causing a telephone to ring or engaging*  
16 *any person in telephone conversation repeatedly or*  
17 *continuously with intent to annoy, abuse, or harass*  
18 *any person at the called number.*

19               “(4) *Except as provided under rules similar to*  
20 *the rules in section 804 of the Fair Debt Collection*  
21 *Practices Act (15 U.S.C. 1692b), the placement of*  
22 *telephone calls without meaningful disclosure of the*  
23 *caller's identity.*

1 “(c) *CIVIL ACTION FOR VIOLATIONS OF SECTION.*—

“**For civil action for violations of this section, see section 7433.**”.

2 (b) *CLERICAL AMENDMENT.*—*The table of sections for*  
 3 *subchapter A of chapter 64 is amended by inserting after*  
 4 *the item relating to section 6303 the following new item:*

“Sec. 6304. *Fair tax collection practices.*”.

5 (c) *ANNUAL REPORT.*—*The Inspector General for Tax*  
 6 *Administration shall report annually to Congress on any*  
 7 *administrative or civil actions with respect to violations of*  
 8 *the fair debt collection provisions of section 6304 of the In-*  
 9 *ternal Revenue Code of 1986, as added by this section, in-*  
 10 *cluding—*

11 (1) *a summary of such actions initiated since*  
 12 *the date of the last report, and*

13 (2) *a summary of any judgments or awards*  
 14 *granted as a result of such actions.*

15 (d) *EFFECTIVE DATE.*—*The amendments made by this*  
 16 *section shall take effect on the date of the enactment of this*  
 17 *Act.*

18 **SEC. 3467. GUARANTEED AVAILABILITY OF INSTALLMENT**  
 19 **AGREEMENTS.**

20 (a) *IN GENERAL.*—*Section 6159 (relating to agree-*  
 21 *ments for payment of tax liability in installments) is*  
 22 *amended by redesignating subsection (c) as subsection (d)*

1 *and by inserting after subsection (b) the following new sub-*  
2 *section:*

3       “(c) *SECRETARY REQUIRED TO ENTER INTO INSTALL-*  
4 *MENT AGREEMENTS IN CERTAIN CASES.*—*In the case of a*  
5 *liability for tax of an individual under subtitle A, the Sec-*  
6 *retary shall enter into an agreement to accept the payment*  
7 *of such tax in installments if, as of the date the individual*  
8 *offers to enter into the agreement—*

9               “(1) *the aggregate amount of such liability (de-*  
10 *termined without regard to interest, penalties, addi-*  
11 *tions to the tax, and additional amounts) does not ex-*  
12 *ceed \$10,000,*

13               “(2) *the taxpayer (and, if such liability relates*  
14 *to a joint return, the taxpayer’s spouse) has not, dur-*  
15 *ing any of the preceding 5 taxable years—*

16                       “(A) *failed to file any return of tax imposed*  
17 *by subtitle A,*

18                       “(B) *failed to pay any tax required to be*  
19 *shown on any such return, or*

20                       “(C) *entered into an installment agreement*  
21 *under this section for payment of any tax im-*  
22 *posed by subtitle A,*

23               “(3) *the Secretary determines that the taxpayer*  
24 *is financially unable to pay such liability in full*  
25 *when due (and the taxpayer submits such information*



1       *as the Secretary may require to make such determina-*  
 2       *tion),*

3               *“(4) the agreement requires full payment of such*  
 4       *liability within 3 years, and*

5               *“(5) the taxpayer agrees to comply with the pro-*  
 6       *visions of this title for the period such agreement is*  
 7       *in effect.”.*

8       ***(b) EFFECTIVE DATE.***—*The amendment made by this*  
 9       *section shall take effect on the date of the enactment of this*  
 10       *Act.*

11       ***SEC. 3468. PROHIBITION ON REQUESTS TO TAXPAYERS TO***  
 12               ***GIVE UP RIGHTS TO BRING ACTIONS.***

13       ***(a) PROHIBITION.***—*No officer or employee of the*  
 14       *United States may request a taxpayer to waive the tax-*  
 15       *payer’s right to bring a civil action against the United*  
 16       *States or any officer or employee of the United States for*  
 17       *any action taken in connection with the internal revenue*  
 18       *laws.*

19       ***(b) EXCEPTIONS.***—*Subsection (a) shall not apply in*  
 20       *any case where—*

21               *(1) a taxpayer waives the right described in sub-*  
 22       *section (a) knowingly and voluntarily, or*

23               *(2) the request by the officer or employee is made*  
 24       *in person and the taxpayer’s attorney or other feder-*  
 25       *ally authorized tax practitioner (within the meaning*

1       of section 7525(c)(1)) is present, or the request is  
2       made in writing to the taxpayer's attorney or other  
3       representative.

4                   ***Subtitle F—Disclosures to***  
5                   ***Taxpayers***

6   ***SEC. 3501. EXPLANATION OF JOINT AND SEVERAL LIABIL-***  
7                   ***ITY.***

8       (a) *IN GENERAL.*—The Secretary of the Treasury or  
9       the Secretary's delegate shall, as soon as practicable, but  
10      not later than 180 days after the date of the enactment of  
11      this Act, establish procedures to clearly alert married tax-  
12      payers of their joint and several liabilities on all appro-  
13      priate publications and instructions.

14      (b) *RIGHT TO LIMIT LIABILITY.*—The procedures  
15      under subsection (a) shall include requirements that notice  
16      of an individual's right to limit joint and several liability  
17      under section 6015 of the Internal Revenue Code of 1986  
18      shall be included in the statement required by section 6227  
19      of the Omnibus Taxpayer Bill of Rights (Internal Revenue  
20      Service Publication No. 1) and in any collection-related no-  
21      tices.

1 **SEC. 3502. EXPLANATION OF TAXPAYERS' RIGHTS IN INTER-**  
2 **VIEWS WITH THE INTERNAL REVENUE SERV-**  
3 **ICE.**

4 *The Secretary of the Treasury or the Secretary's dele-*  
5 *gate shall, as soon as practicable, but not later than 180*  
6 *days after the date of the enactment of this Act, revise the*  
7 *statement required by section 6227 of the Omnibus Tax-*  
8 *payer Bill of Rights (Internal Revenue Service Publication*  
9 *No. 1) to more clearly inform taxpayers of their rights—*

10 *(1) to be represented at interviews with the In-*  
11 *ternal Revenue Service by any person authorized to*  
12 *practice before the Internal Revenue Service, and*

13 *(2) to suspend an interview pursuant to section*  
14 *7521(b)(2) of the Internal Revenue Code of 1986.*

15 **SEC. 3503. DISCLOSURE OF CRITERIA FOR EXAMINATION**  
16 **SELECTION.**

17 *(a) IN GENERAL.—The Secretary of the Treasury or*  
18 *the Secretary's delegate shall, as soon as practicable, but*  
19 *not later than 180 days after the date of the enactment of*  
20 *this Act, incorporate into the statement required by section*  
21 *6227 of the Omnibus Taxpayer Bill of Rights (Internal*  
22 *Revenue Service Publication No. 1) a statement which sets*  
23 *forth in simple and nontechnical terms the criteria and pro-*  
24 *cedures for selecting taxpayers for examination. Such state-*  
25 *ment shall not include any information the disclosure of*  
26 *which would be detrimental to law enforcement, but shall*

1 *specify the general procedures used by the Internal Revenue*  
2 *Service, including whether taxpayers are selected for exam-*  
3 *ination on the basis of information available in the media*  
4 *or on the basis of information provided to the Internal Rev-*  
5 *enue Service by informants.*

6 (b) *TRANSMISSION TO COMMITTEES OF CONGRESS.—*  
7 *The Secretary shall transmit drafts of the statement re-*  
8 *quired under subsection (a) (or proposed revisions to any*  
9 *such statement) to the Committee on Ways and Means of*  
10 *the House of Representatives and the Committee on Finance*  
11 *of the Senate on the same day.*

12 **SEC. 3504. EXPLANATIONS OF APPEALS AND COLLECTION**  
13 **PROCESS.**

14 *The Secretary of the Treasury or the Secretary's dele-*  
15 *gate shall, as soon as practicable but not later than 180*  
16 *days after the date of the enactment of this Act, include*  
17 *with any 1st letter of proposed deficiency which allows the*  
18 *taxpayer an opportunity for administrative review in the*  
19 *Internal Revenue Service Office of Appeals an explanation*  
20 *of the entire process from examination through collection*  
21 *with respect to such proposed deficiency, including the as-*  
22 *sistance available to the taxpayer from the National Tax-*  
23 *payer Advocate at various points in the process.*

1 **SEC. 3505. EXPLANATION OF REASON FOR REFUND DENIAL.**

2       (a) *IN GENERAL.*—Section 6402 (relating to authority  
3 to make credits or refunds) is amended by adding at the  
4 end the following new subsection:

5       “(j) *EXPLANATION OF REASON FOR REFUND DE-*  
6 *NIAL.*—In the case of a denial of a claim for refund, the  
7 Secretary shall provide the taxpayer with an explanation  
8 for such denial.”.

9       (b) *EFFECTIVE DATE.*—The amendment made by this  
10 section shall apply to denials issued after the 180th day  
11 after the date of the enactment of this Act.

12 **SEC. 3506. STATEMENTS REGARDING INSTALLMENT AGREE-**  
13 **MENTS.**

14       The Secretary of the Treasury or the Secretary’s dele-  
15 gate shall, as soon as practicable but not later than 180  
16 days after the date of the enactment of this Act, provide  
17 each taxpayer who has an installment agreement in effect  
18 under section 6159 of the Internal Revenue Code of 1986  
19 an annual statement setting forth the initial balance at the  
20 beginning of the year, the payments made during the year,  
21 and the remaining balance as of the end of the year.

22 **SEC. 3507. NOTIFICATION OF CHANGE IN TAX MATTERS**  
23 **PARTNER.**

24       (a) *IN GENERAL.*—Section 6231(a)(7) (defining tax  
25 matters partner) is amended by adding at the end the fol-  
26 lowing new sentence: “The Secretary shall, within 30 days

1 of selecting a tax matters partner under the preceding sen-  
 2 tence, notify all partners required to receive notice under  
 3 section 6223(a) of the name and address of the individual  
 4 selected.”.

5 (b) *EFFECTIVE DATE.*—The amendment made by this  
 6 section shall apply to selections of tax matters partners  
 7 made by the Secretary of the Treasury after the date of the  
 8 enactment of this Act.

9 **SEC. 3508. DISCLOSURE TO TAXPAYERS.**

10 Section 6103(d) of the Internal Revenue Code of 1986  
 11 is amended by adding at the end thereof a new paragraph  
 12 to read as follows:

13 “(6) *DISCLOSURE TO TAXPAYERS.*—The Sec-  
 14 retary shall ensure that any instructions booklet ac-  
 15 companying a general tax return form (including  
 16 forms 1040, 1040A, 1040EZ, and any similar or suc-  
 17 cessor forms) shall include, in clear language, in con-  
 18 spicuous print, and in a conspicuous place near the  
 19 front of the booklet, a concise description of the condi-  
 20 tions under which return information may be dis-  
 21 closed to any party outside the Internal Revenue  
 22 Service, including disclosure to any State or agency,  
 23 body, or commission (or legal representative) there-  
 24 of.”.

1     ***Subtitle G—Low Income Taxpayer***  
 2                     ***Clinics***

3     **SEC. 3601. LOW INCOME TAXPAYER CLINICS.**

4             (a) *IN GENERAL.*—Chapter 77 (relating to miscellane-  
 5     ous provisions), as amended by section 3411, is amended  
 6     by adding at the end the following new section:

7     **“SEC. 7526. LOW INCOME TAXPAYER CLINICS.**

8             “(a) *IN GENERAL.*—The Secretary may, subject to the  
 9     availability of appropriated funds, make grants to provide  
 10    matching funds for the development, expansion, or continu-  
 11    ation of qualified low income taxpayer clinics, including  
 12    volunteer income tax assistance programs, and to provide  
 13    funds for training and technical assistance to support such  
 14    clinics and programs.

15            “(b) *DEFINITIONS.*—For purposes of this section—

16                    “(1) *QUALIFIED LOW INCOME TAXPAYER CLIN-*  
 17                    *IC.*—

18                            “(A) *IN GENERAL.*—The term ‘qualified low  
 19                    income taxpayer clinic’ means a clinic which—

20                                    “(i) does not charge more than a nomi-  
 21                                    nal fee for its services (except for reimburse-  
 22                                    ment of actual costs incurred), and

23    “(ii)(I) represents low income tax-  
 24    payers in controversies with the Internal  
 25    Revenue Service,

1           “(II) operates programs to inform in-  
2           dividuals for whom English is a second lan-  
3           guage about their rights and responsibilities  
4           under this title, or

5           “(III) provides tax preparation assist-  
6           ance and tax counseling assistance to low  
7           income taxpayers, such as volunteer income  
8           tax assistance programs.

9           “(B) REPRESENTATION OF LOW INCOME  
10          TAXPAYERS.—A clinic meets the requirements of  
11          subparagraph (A)(ii)(I) if—

12           “(i) at least 90 percent of the tax-  
13           payers represented by the clinic have in-  
14           comes which do not exceed 250 percent of  
15           the poverty level, as determined in accord-  
16           ance with criteria established by the Direc-  
17           tor of the Office of Management and Budg-  
18           et, and

19           “(ii) the amount in controversy for  
20           any taxable year generally does not exceed  
21           the amount specified in section 7463.

22          “(2) CLINIC.—The term ‘clinic’ includes—

23           “(A) a clinical program at an accredited  
24           law, business, or accounting school in which stu-



1        *dents represent low income taxpayers in con-*  
2        *troversies arising under this title,*

3                *“(B) an organization described in section*  
4        *501(c) and exempt from tax under section 501(a)*  
5        *which satisfies the requirements of paragraph (1)*  
6        *through representation of taxpayers or referral of*  
7        *taxpayers to qualified representatives, and*

8                *“(C) a volunteer income tax assistance pro-*  
9        *gram which is described in section 501(c) and*  
10       *exempt from tax under section 501(a) and which*  
11       *provides tax preparation assistance and tax*  
12       *counseling assistance to low income taxpayers.*

13               *“(3) QUALIFIED REPRESENTATIVE.—The term*  
14       *‘qualified representative’ means any individual*  
15       *(whether or not an attorney) who is authorized to*  
16       *practice before the Internal Revenue Service or the*  
17       *applicable court.*

18               *“(c) SPECIAL RULES AND LIMITATIONS.—*

19               *“(1) AGGREGATE LIMITATION.—Unless otherwise*  
20       *provided by specific appropriation, the Secretary*  
21       *shall not allocate more than \$6,000,000 per year (ex-*  
22       *clusive of costs of administering the program) to*  
23       *grants under this section. Not more than 7.5 percent*  
24       *of the amount available shall be allocated to training*  
25       *and technical assistance programs.*

1           “(2) *LIMITATION ON ANNUAL GRANTS TO A CLIN-*  
2           *IC.—The aggregate amount of grants which may be*  
3           *made under this section to a clinic for a year shall*  
4           *not exceed \$100,000, except that larger grants may be*  
5           *made for training and technical assistance programs.*

6           “(3) *MULTI-YEAR GRANTS.—Upon application of*  
7           *a qualified low income taxpayer clinic, the Secretary*  
8           *is authorized to award a multi-year grant not to ex-*  
9           *ceed 3 years.*

10          “(4) *CRITERIA FOR AWARDS.—In determining*  
11          *whether to make a grant under this section, the Sec-*  
12          *retary shall consider—*

13               “(A) *the numbers of taxpayers who will be*  
14               *served by the clinic, including the number of tax-*  
15               *payers in the geographical area for whom*  
16               *English is a second language,*

17               “(B) *the existence of other low income tax-*  
18               *payer clinics serving the same population,*

19               “(C) *the quality of the program offered by*  
20               *the low income taxpayer clinic, including the*  
21               *qualifications of its administrators and qualified*  
22               *representatives, and its record, if any, in provid-*  
23               *ing service to low income taxpayers, and*

24               “(D) *alternative funding sources available*  
25               *to the clinic, including amounts received from*

1           *other grants and contributions, and the endow-*  
 2           *ment and resources of the institution sponsoring*  
 3           *the clinic.*

4           “(5) *REQUIREMENT OF MATCHING FUNDS.—A*  
 5           *low income taxpayer clinic (other than a clinic de-*  
 6           *scribed in paragraph (2)(C)) must provide matching*  
 7           *funds on a dollar for dollar basis for all grants pro-*  
 8           *vided under this section. Matching funds may in-*  
 9           *clude—*

10                   “(A) *the salary (including fringe benefits)*  
 11                   *of individuals performing services for the clinic,*  
 12                   *and*

13                   “(B) *the cost of equipment used in the clin-*  
 14                   *ic.*

15           *Indirect expenses, including general overhead of the*  
 16           *institution sponsoring the clinic, shall not be counted*  
 17           *as matching funds.”.*

18           “(b) *CLERICAL AMENDMENT.—The table of sections for*  
 19           *chapter 77 is amended by adding at the end the following*  
 20           *new section:*

                  “Sec. 7526. *Low income taxpayer clinics.*”.

21           “(c) *EFFECTIVE DATE.—The amendments made by this*  
 22           *section shall take effect on the date of the enactment of this*  
 23           *Act.*

1                   ***Subtitle H—Other Matters***

2   **SEC. 3701. CATALOGING COMPLAINTS.**

3           *In collecting data for the report required under section*  
4 *1211 of Taxpayer Bill of Rights 2 (Public Law 104–168),*  
5 *the Secretary of the Treasury or the Secretary’s delegate*  
6 *shall maintain records of taxpayer complaints of mis-*  
7 *conduct by Internal Revenue Service employees on an indi-*  
8 *vidual employee basis.*

9   **SEC. 3702. ARCHIVE OF RECORDS OF INTERNAL REVENUE**  
10                   **SERVICE.**

11           *(a) IN GENERAL.—Subsection (l) of section 6103 (re-*  
12 *lating to confidentiality and disclosure of returns and re-*  
13 *turn information) is amended by adding at the end the fol-*  
14 *lowing new paragraph:*

15                   “(17) *DISCLOSURE TO NATIONAL ARCHIVES AND*  
16           *RECORDS ADMINISTRATION.—The Secretary shall,*  
17           *upon written request from the Archivist of the United*  
18           *States, disclose or authorize the disclosure of returns*  
19           *and return information to officers and employees of*  
20           *the National Archives and Records Administration*  
21           *for purposes of, and only to the extent necessary in,*  
22           *the appraisal of records for destruction or retention.*  
23           *No such officer or employee shall, except to the extent*  
24           *authorized by subsections (f), (i)(7), or (p), disclose*  
25           *any return or return information disclosed under the*

1       *preceding sentence to any person other than to the*  
2       *Secretary, or to another officer or employee of the Na-*  
3       *tional Archives and Records Administration whose of-*  
4       *ficial duties require such disclosure for purposes of*  
5       *such appraisal.”.*

6       **(b) CONFORMING AMENDMENTS.**—*Section 6103(p) is*  
7       *amended—*

8               *(1) in paragraph (3)(A), by striking “or (16)”*  
9       *and inserting “(16), or (17)”,*

10              *(2) in paragraph (4), by striking “or (14)” and*  
11       *inserting “, (14), or (17)” in the matter preceding*  
12       *subparagraph (A), and*

13              *(3) in paragraph (4)(F)(ii), by striking “or*  
14       *(15)” and inserting “, (15), or (17)”.*

15       **(c) EFFECTIVE DATE.**—*The amendments made by this*  
16       *section shall apply to requests made by the Archivist of the*  
17       *United States after the date of the enactment of this Act.*

18       **SEC. 3703. PAYMENT OF TAXES.**

19       *The Secretary of the Treasury or the Secretary’s dele-*  
20       *gate shall establish such rules, regulations, and procedures*  
21       *as are necessary to allow payment of taxes by check or*  
22       *money order made payable to the United States Treasury.*

1 **SEC. 3704. CLARIFICATION OF AUTHORITY OF SECRETARY**  
2 **RELATING TO THE MAKING OF ELECTIONS.**

3 *Subsection (d) of section 7805 is amended by striking*  
4 *“by regulations or forms”.*

5 **SEC. 3705. IRS EMPLOYEE CONTACTS.**

6 *(a) NOTICE.—The Secretary of the Treasury or the*  
7 *Secretary’s delegate shall provide that any correspondence*  
8 *or notice received by a taxpayer from the Internal Revenue*  
9 *Service shall include in a prominent manner the name and*  
10 *telephone number of an Internal Revenue Service employee*  
11 *the taxpayer may contact with respect to the correspondence*  
12 *or notice.*

13 *(b) SINGLE CONTACT.—The Secretary of the Treasury*  
14 *or the Secretary’s delegate shall develop a procedure under*  
15 *which, to the extent practicable and if advantageous to the*  
16 *taxpayer, one Internal Revenue Service employee shall be*  
17 *assigned to handle a taxpayer’s matter until it is resolved.*

18 *(c) TELEPHONE HELPLINE OPTION IN SPANISH.—The*  
19 *Secretary of the Treasury or the Secretary’s delegate shall*  
20 *provide on all telephone helplines of the Internal Revenue*  
21 *Service an option for any taxpayer questions to be answered*  
22 *in Spanish.*

23 *(d) OTHER TELEPHONE HELPLINE OPTIONS.—The*  
24 *Secretary of the Treasury or the Secretary’s delegate shall*  
25 *provide on all telephone helplines of the Internal Revenue*  
26 *Service an option for any taxpayer to talk to a live person*

1 *in addition to hearing a recorded message. The person shall*  
 2 *direct phone questions of the taxpayer to other Internal*  
 3 *Revenue Service personnel who can provide understandable*  
 4 *information to the taxpayer.*

5 *(e) EFFECTIVE DATES.—*

6 *(1) IN GENERAL.—Except as otherwise provided*  
 7 *in this subsection, this section shall take effect 60*  
 8 *days after the date of the enactment of this Act.*

9 *(2) SUBSECTION (c).—Subsection (c) shall take*  
 10 *effect on January 1, 2000.*

11 *(3) SUBSECTION (d).—Subsection (d) shall take*  
 12 *effect on January 1, 2000.*

13 **SEC. 3706. USE OF PSEUDONYMS BY IRS EMPLOYEES.**

14 *(a) IN GENERAL.—Any employee of the Internal Reve-*  
 15 *nue Service may use a pseudonym only if—*

16 *(1) adequate justification for the use of a pseudo-*  
 17 *nym is provided by the employee, including protec-*  
 18 *tion of personal safety, and*

19 *(2) such use is approved by the employee's super-*  
 20 *visor before the pseudonym is used.*

21 *(b) EFFECTIVE DATE.—Subsection (a) shall apply to*  
 22 *requests made after the date of the enactment of this Act.*

1 **SEC. 3707. CONFERENCES OF RIGHT IN THE NATIONAL OF-**  
2 **FICE OF IRS.**

3 (a) *IN GENERAL.*—In any conference of right in the  
4 National Office of the Internal Revenue Service, participa-  
5 tion in such conference shall, upon request of the taxpayer,  
6 be limited to personnel of the National Office.

7 (b) *EFFECTIVE DATE.*—Subsection (a) shall apply to  
8 requests made after the date of the enactment of this Act.

9 **SEC. 3708. ILLEGAL TAX PROTESTER DESIGNATION.**

10 (a) *PROHIBITION.*—The officers and employees of the  
11 Internal Revenue Service—

12 (1) shall not designate taxpayers as illegal tax  
13 protesters (or any similar designation), and

14 (2) in the case of any such designation made on  
15 or before the date of the enactment of this Act—

16 (A) shall remove such designation from the  
17 individual master file, and

18 (B) shall disregard any such designation  
19 not located in the individual master file.

20 (b) *DESIGNATION OF NONFILERS ALLOWED.*—An offi-  
21 cer or employee of the Internal Revenue Service may des-  
22 ignate any appropriate taxpayer as a nonfiler, but shall  
23 remove such designation once the taxpayer has filed income  
24 tax returns for 2 consecutive taxable years and paid all  
25 taxes shown on such returns.



1       (c) *EFFECTIVE DATE.*—*The provisions of this section*  
 2 *shall take effect on the date of the enactment of this Act,*  
 3 *except that the removal of any designation under subsection*  
 4 *(a)(2)(A) shall not be required to begin before January 1,*  
 5 *1999.*

6   **SEC. 3709. PROVISION OF CONFIDENTIAL INFORMATION TO**  
 7                   **CONGRESS BY WHISTLEBLOWERS.**

8       (a) *IN GENERAL.*—*Paragraph (1) of section 6103(f)*  
 9 *(relating to disclosure of confidential information to com-*  
 10 *mittees of Congress) is amended—*

11               (1) *by striking “Upon written” and inserting the*  
 12 *following:*

13               “(A) *WRITTEN REQUEST BY CHAIRMAN.*—*Upon*  
 14 *written”; and*

15               (2) *by adding at the end the following new sub-*  
 16 *paragraph:*

17               “(B) *WHISTLEBLOWER INFORMATION.*—*Any per-*  
 18 *son who otherwise has or had access to any return or*  
 19 *return information under this section may disclose*  
 20 *such return or return information to a chairman of*  
 21 *a committee referred to in subparagraph (A) or the*  
 22 *chief of staff of the Joint Committee of Taxation only*  
 23 *if—*

1           “(i) the disclosure is for the purpose of al-  
 2           leging an incident of employee misconduct or  
 3           taxpayer abuse, and

4           “(ii) the chairman of the committee to  
 5           which the disclosure is made (or either chairman  
 6           in the case of disclosure to the chief of staff) gives  
 7           prior written approval for the disclosure.”.

8           (b) *EFFECTIVE DATE.*—The amendments made by this  
 9           section shall take effect on the date of the enactment of this  
 10          Act.

11       **SEC. 3710. LISTING OF LOCAL IRS TELEPHONE NUMBERS**  
 12                               **AND ADDRESSES.**

13           *The Secretary of the Treasury or the Secretary’s dele-*  
 14           *gate shall, as soon as practicable, but not later than 180*  
 15           *days after the date of the enactment of this Act, provide*  
 16           *that the local telephone numbers and addresses of Internal*  
 17           *Revenue Service offices located in any particular area be*  
 18           *listed in the telephone book for that area.*

19       **SEC. 3711. IDENTIFICATION OF RETURN PREPARERS.**

20           (a) *IN GENERAL.*—The last sentence of section 6109(a)  
 21           *(relating to identifying numbers) is amended by striking*  
 22           *“For purposes of this subsection” and inserting “For pur-*  
 23           *poses of paragraphs (1), (2), and (3)”.*

1       (b) *EFFECTIVE DATE.*—*The amendment made by this*  
 2 *section shall take effect on the date of the enactment of this*  
 3 *Act.*

4   **SEC. 3712. OFFSET OF PAST-DUE, LEGALLY ENFORCEABLE**  
 5                   **STATE INCOME TAX OBLIGATIONS AGAINST**  
 6                   **OVERPAYMENTS.**

7       (a) *IN GENERAL.*—*Section 6402 (relating to authority*  
 8 *to make credits or refunds) is amended by redesignating*  
 9 *subsections (e) through (i) as subsections (f) through (j), re-*  
 10 *spectively, and by inserting after subsection (d) the follow-*  
 11 *ing new subsection:*

12       “(e) *COLLECTION OF PAST-DUE, LEGALLY ENFORCE-*  
 13 *ABLE STATE INCOME TAX OBLIGATIONS.*—

14               “(1) *IN GENERAL.*—*Upon receiving notice from*  
 15 *any State that a named person owes a past-due, le-*  
 16 *gally enforceable State income tax obligation to such*  
 17 *State, the Secretary shall, under such conditions as*  
 18 *may be prescribed by the Secretary—*

19                   “(A) *reduce the amount of any overpayment*  
 20 *payable to such person by the amount of such*  
 21 *State income tax obligation;*

22                   “(B) *pay the amount by which such over-*  
 23 *payment is reduced under subparagraph (A) to*  
 24 *such State and notify such State of such person’s*

1           *name, taxpayer identification number, address,*  
 2           *and the amount collected; and*

3           “(C) *notify the person making such over-*  
 4           *payment that the overpayment has been reduced*  
 5           *by an amount necessary to satisfy a past-due, le-*  
 6           *gally enforceable State income tax obligation.*

7           *If an offset is made pursuant to a joint return, the*  
 8           *notice under subparagraph (B) shall include the*  
 9           *names, taxpayer identification numbers, and address-*  
 10          *es of each person filing such return.*

11          “(2) *OFFSET PERMITTED ONLY AGAINST RESI-*  
 12          *DENTS OF STATE SEEKING OFFSET.—Paragraph (1)*  
 13          *shall apply to an overpayment by any person for a*  
 14          *taxable year only if the address shown on the Federal*  
 15          *return for such taxable year of the overpayment is an*  
 16          *address within the State seeking the offset.*

17          “(3) *PRIORITIES FOR OFFSET.—Any overpay-*  
 18          *ment by a person shall be reduced pursuant to this*  
 19          *subsection—*

20                 “(A) *after such overpayment is reduced pur-*  
 21                 *suant to—*

22                         “(i) *subsection (a) with respect to any*  
 23                         *liability for any internal revenue tax on the*  
 24                         *part of the person who made the overpay-*  
 25                         *ment,*

1                   “(ii) subsection (c) with respect to  
2                   past-due support, and

3                   “(iii) subsection (d) with respect to  
4                   any past-due, legally enforceable debt owed  
5                   to a Federal agency, and

6                   “(B) before such overpayment is credited to  
7                   the future liability for any Federal internal reve-  
8                   nue tax of such person pursuant to subsection  
9                   (b).

10           *If the Secretary receives notice from 1 or more agen-*  
11           *cies of the State of more than 1 debt subject to para-*  
12           *graph (1) that is owed by such person to such an*  
13           *agency, any overpayment by such person shall be ap-*  
14           *plied against such debts in the order in which such*  
15           *debts accrued.*

16           “(4) NOTICE; CONSIDERATION OF EVIDENCE.—  
17           *No State may take action under this subsection until*  
18           *such State—*

19                   “(A) notifies by certified mail with return  
20                   receipt the person owing the past-due State in-  
21                   come tax liability that the State proposes to take  
22                   action pursuant to this section,

23                   “(B) gives such person at least 60 days to  
24                   present evidence that all or part of such liability  
25                   is not past-due or not legally enforceable,

1           “(C) considers any evidence presented by  
2           such person and determines that an amount of  
3           such debt is past-due and legally enforceable, and

4           “(D) satisfies such other conditions as the  
5           Secretary may prescribe to ensure that the deter-  
6           mination made under subparagraph (C) is valid  
7           and that the State has made reasonable efforts to  
8           obtain payment of such State income tax obliga-  
9           tion.

10          “(5) *PAST-DUE, LEGALLY ENFORCEABLE STATE*  
11          *INCOME TAX OBLIGATION.*—For purposes of this sub-  
12          section, the term ‘past-due, legally enforceable State  
13          income tax obligation’ means a debt—

14               “(A)(i) which resulted from—

15                   “(I) a judgment rendered by a court of  
16                   competent jurisdiction which has deter-  
17                   mined an amount of State income tax to be  
18                   due, or

19                   “(II) a determination after an admin-  
20                   istrative hearing which has determined an  
21                   amount of State tax to be due, and

22               “(ii) which is no longer subject to judicial  
23               review, or

24               “(B) which resulted from a State income  
25               tax which has been assessed but not collected, the

1           *time for redetermination of which has expired,*  
2           *and which has not been delinquent for more than*  
3           *10 years.*

4           *For purposes of this paragraph, the term ‘State in-*  
5           *come tax’ includes any local tax administered by the*  
6           *chief tax administration agency of the State.*

7           “(6) *REGULATIONS.—The Secretary shall issue*  
8           *regulations prescribing the time and manner in*  
9           *which States must submit notices of past-due, legally*  
10          *enforceable State income tax obligations and the nec-*  
11          *essary information that must be contained in or ac-*  
12          *company such notices. The regulations shall specify*  
13          *the types of State income taxes and the minimum*  
14          *amount of debt to which the reduction procedure es-*  
15          *tablished by paragraph (1) may be applied. The regu-*  
16          *lations may require States to pay a fee to reimburse*  
17          *the Secretary for the cost of applying such procedure.*  
18          *Any fee paid to the Secretary pursuant to the preced-*  
19          *ing sentence shall be used to reimburse appropriations*  
20          *which bore all or part of the cost of applying such*  
21          *procedure.*

22          “(7) *ERRONEOUS PAYMENT TO STATE.—Any*  
23          *State receiving notice from the Secretary that an er-*  
24          *roneous payment has been made to such State under*  
25          *paragraph (1) shall pay promptly to the Secretary,*

1       *in accordance with such regulations as the Secretary*  
 2       *may prescribe, an amount equal to the amount of*  
 3       *such erroneous payment (without regard to whether*  
 4       *any other amounts payable to such State under such*  
 5       *paragraph have been paid to such State).”.*

6       ***(b) DISCLOSURE OF CERTAIN INFORMATION TO***  
 7       ***STATES REQUESTING REFUND OFFSETS FOR PAST-DUE,***  
 8       ***LEGALLY ENFORCEABLE STATE INCOME TAX OBLIGA-***  
 9       ***TIONS.—***

10           *(1) Paragraph (10) of section 6103(l) is amended*  
 11           *by striking “(c) or (d)” each place it appears and in-*  
 12           *serting “(c), (d), or (e)”.*

13           *(2) The paragraph heading for such paragraph*  
 14           *(10) is amended by striking “SECTION 6402(c) OR*  
 15           *6402(d)” and inserting “SUBSECTION (c), (d), OR (e)*  
 16           *OF SECTION 6402”.*

17       ***(c) CONFORMING AMENDMENTS.—***

18           *(1) Subsection (a) of section 6402 is amended by*  
 19           *striking “(c) and (d)” and inserting “(c), (d), and*  
 20           *(e)”.*

21           *(2) Paragraph (2) of section 6402(d) is amended*  
 22           *by striking “and before such overpayment” and in-*  
 23           *serting “and before such overpayment is reduced pur-*  
 24           *suant to subsection (e) and before such overpayment”.*



(3) Subsection (f) of section 6402, as redesignated by subsection (a), is amended—

(A) by striking “(c) or (d)” and inserting “(c), (d), or (e)”, and

(B) by striking “Federal agency” and inserting “Federal agency or State”.

(4) Subsection (h) of section 6402, as redesignated by subsection (a), is amended by striking “subsection (c)” and inserting “subsection (c) or (e)”.

(d) *EFFECTIVE DATE.*—The amendments made by this section (other than subsection (d)) shall apply to refunds payable under section 6402 of the Internal Revenue Code of 1986 after December 31, 1998.

**SEC. 3713. TREATMENT OF IRS NOTICES ON FOREIGN TAX PROVISIONS.**

(a) *NOTICE 98–11.*—

(1) *MORATORIUM.*—The Secretary of the Treasury or his delegate shall not implement final or temporary regulations with respect to Internal Revenue Service Notice 98–11 during the period—

(A) beginning on January 16, 1998, and

(B) ending on the date which is 6 months after the date of the enactment of this Act.

(2) *SENSE OF SENATE REGARDING NOTICE.*—It is the sense of the Senate that—

1           (A) the Secretary of the Treasury or his del-  
2           egate should withdraw Internal Revenue Service  
3           Notice 98–11 and the regulations issued with re-  
4           spect to such notice, and

5           (B) Congress, not the Department of the  
6           Treasury or the Internal Revenue Service, should  
7           determine the policy issues with respect to the  
8           treatment of hybrid transactions under subpart  
9           F of part III of subchapter N of chapter 1 of the  
10          Internal Revenue Code of 1986.

11       (b) NOTICE 98–5.—It is the sense of the Senate that—

12           (1) the Secretary of the Treasury or his delegate  
13           should limit any regulations issued with respect to  
14           Internal Revenue Service Notice 98–5 to the specific  
15           transactions contained in such notice, and

16           (2) such regulations should—

17           (A) not affect transactions undertaken in  
18           the ordinary course of business,

19           (B) not have an effective date before the ear-  
20           lier of the dates described in subparagraph (A)  
21           or (B) of section 7805(b)(1) of the Internal Reve-  
22           nue Code of 1986, and

23           (C) be issued in accordance with normal  
24           regulatory procedures which include an oppor-  
25           tunity for comment.

1 *Nothing in the preceding sentence shall be construed as ex-*  
 2 *pressing any intent by the Senate to limit the Secretary's*  
 3 *ability to address abusive transactions.*

4 **SEC. 3714. STUDY OF PAYMENTS MADE FOR DETECTION OF**  
 5 **UNDERPAYMENTS AND FRAUD.**

6 *Not later than 1 year after the date of enactment of*  
 7 *this Act, the Secretary of the Treasury shall conduct a study*  
 8 *and report to Congress on the use of section 7623 of the*  
 9 *Internal Revenue Code of 1986 including—*

10 *(1) an analysis of the present use of such section*  
 11 *and the results of such use, and*

12 *(2) any legislative or administrative rec-*  
 13 *ommendations regarding the provisions of such sec-*  
 14 *tion and its application.*

15 **SEC. 3715. COMBINED EMPLOYMENT TAX REPORTING DEM-**  
 16 **ONSTRATION PROJECT.**

17 *(a) IN GENERAL.—The Secretary of the Treasury shall*  
 18 *provide for a demonstration project to assess the feasibility*  
 19 *and desirability of expanding combined Federal and State*  
 20 *tax reporting.*

21 *(b) DESCRIPTION OF DEMONSTRATION PROJECT.—The*  
 22 *demonstration project under subsection (a) shall be—*

23 *(1) carried out between the Internal Revenue*  
 24 *Service and the State of Iowa for a period ending*

1       *with the date which is 5 years after the date of the*  
 2       *enactment of this Act,*

3               *(2) limited to the reporting of employment taxes,*  
 4       *and*

5               *(3) limited to the disclosure of the taxpayer iden-*  
 6       *tity (as defined in section 6103(b)(6) of such Code)*  
 7       *and the signature of the taxpayer.*

8       (c) *CONFORMING AMENDMENT.*—Section 6103(d)(5),  
 9       *as amended by section 6009(f), is amended by striking*  
 10       *“project described in section 976 of the Taxpayer Relief Act*  
 11       *of 1997.” and inserting “projects described in section 976*  
 12       *of the Taxpayer Relief Act of 1997 and section 3715 of the*  
 13       *Internal Revenue Service Restructuring and Reform Act of*  
 14       *1998.”.*

15       **SEC. 3716. REPORTING REQUIREMENTS IN CONNECTION**  
 16               **WITH EDUCATION TAX CREDIT.**

17       (a) *AMOUNTS TO BE REPORTED.*—Subparagraph (C)  
 18       *of section 6050S(b)(2) is amended—*

19               *(1) in clause (i), by inserting “and any grant*  
 20       *amount received by such individual and processed*  
 21       *through the institution during such calendar year”*  
 22       *after “calendar year”,*

23               *(2) in clause (ii), by inserting “by the person*  
 24       *making such return” after “year”, and*

25               *(3) in clause (iii), by inserting “and” at the end.*

1       (b) *EFFECTIVE DATE.*—*The amendments made by this*  
 2 *section shall apply to returns required to be filed with re-*  
 3 *spect to taxable years beginning after December 31, 1998.*

## 4                               ***Subtitle I—Studies***

### 5   ***SEC. 3801. ADMINISTRATION OF PENALTIES AND INTEREST.***

6       *The Joint Committee on Taxation and the Secretary*  
 7 *of the Treasury shall each conduct a separate study—*

8               (1) *reviewing the administration and implemen-*  
 9 *tation by the Internal Revenue Service of the interest*  
 10 *and penalty provisions of the Internal Revenue Code*  
 11 *of 1986 (including the penalty reform provisions of*  
 12 *the Omnibus Budget Reconciliation Act of 1989), and*

13              (2) *making any legislative and administrative*  
 14 *recommendations the Committee or the Secretary*  
 15 *deems appropriate to simplify penalty or interest ad-*  
 16 *ministration and reduce taxpayer burden.*

17 *Such studies shall be submitted to the Committee on Ways*  
 18 *and Means of the House of Representatives and the Commit-*  
 19 *tee on Finance of the Senate not later than 9 months after*  
 20 *the date of the enactment of this Act.*

### 21   ***SEC. 3802. CONFIDENTIALITY OF TAX RETURN INFORMA-*** 22                               ***TION.***

23       *The Joint Committee on Taxation and the Secretary*  
 24 *of the Treasury shall each conduct a separate study of the*  
 25 *scope and use of provisions regarding taxpayer confiden-*

1 tiality, and shall report the findings of such study, together  
2 with such recommendations as the Committee or the Sec-  
3 retary deems appropriate, to the Congress not later than  
4 one year after the date of the enactment of this Act. Such  
5 study shall examine—

6 (1) the present protections for taxpayer privacy,

7 (2) any need for third parties to use tax return  
8 information,

9 (3) whether greater levels of voluntary compli-  
10 ance may be achieved by allowing the public to know  
11 who is legally required to file tax returns, but does  
12 not file tax returns,

13 (4) the interrelationship of the taxpayer con-  
14 fidentiality provisions in the Internal Revenue Code  
15 of 1986 with such provisions in other Federal law, in-  
16 cluding section 552a of title 5, United States Code  
17 (commonly known as the “Freedom of Information  
18 Act”),

19 (5) Whether return information should be dis-  
20 closed under section 6103(d) of the Internal Revenue  
21 Code of 1986 to any agency, body, or commission of  
22 any State (or legal representative thereof) unless the  
23 Secretary determines that such agency, body, or com-  
24 mission (or legal representative) has first notified  
25 each person for whom such return or return informa-

tion was filed or provided by, on behalf of, or with respect to, personally in writing that the request described in section 6103(d) of the Internal Revenue Code of 1986 has been made by such agency, body, or commission (or legal representative) and the specific reasons for making such request, and

(6) the impact on taxpayer privacy of the sharing of income tax return information for purposes of enforcement of State and local tax laws other than income tax laws, and including the impact on the taxpayer privacy intended to be protected at the Federal, State, and local levels under Public Law 105–35, the Taxpayer Browsing Protection Act of 1997.

**SEC. 3803. STUDY OF TRANSFER PRICING ENFORCEMENT.**

(a) *IN GENERAL.*—The Internal Revenue Service Oversight Board shall study whether the Internal Revenue Service has the resources needed to prevent tax avoidance by companies using unlawful transfer pricing methods.

(b) *ASSISTANCE.*—The Internal Revenue Service shall assist the Board in its study by analyzing and reporting to the Board on its enforcement of transfer pricing abuses, including a review of the effectiveness of the current enforcement tools used by the Internal Revenue Service to ensure compliance under section 482 of the Internal Revenue Code

1 of 1986 and to determine the scope of nonpayment of United  
2 States taxes by reason of such abuses.

3 (c) *REPORT.*—The Board shall report to Congress, not  
4 later than 12 months after the date of enactment of this  
5 Act, on the results of the study conducted under this sub-  
6 section, including recommendations for improving the In-  
7 ternal Revenue Service’s enforcement tools to ensure that  
8 multinational companies doing business in the United  
9 States pay their fair share of United States taxes.

10 **SEC. 3804. WILLFUL NONCOMPLIANCE WITH INTERNAL REV-**  
11 **ENUE LAWS BY TAXPAYERS.**

12 Not later than 1 year after the date of enactment of  
13 this Act, the Joint Committee on Taxation, the Secretary  
14 of the Treasury, and the Commissioner of Internal Revenue  
15 shall conduct jointly a study of the willful noncompliance  
16 with internal revenue laws by taxpayers and report the  
17 findings of such study to Congress.

18 **TITLE IV—CONGRESSIONAL AC-**  
19 **COUNTABILITY FOR THE IN-**  
20 **TERNAL REVENUE SERVICE**

21 **SEC. 4001. CENTURY DATE CHANGE.**

22 (a) *SENSE OF CONGRESS.*—It is the sense of Congress  
23 that the Internal Revenue Service should place a high prior-  
24 ity on resolving the century date change computing prob-  
25 lems.



1       (b) *REPORT ON EFFECT OF LEGISLATION ON CENTURY*  
2 *DATE CHANGE.*—*The Commissioner of Internal Revenue*  
3 *shall expeditiously submit a report to Congress on—*

4           (1) *the overall impact of this Act on the ability*  
5 *of the Internal Revenue Service to resolve the century*  
6 *date change computing problems, and*

7           (2) *provisions of this Act that will require sig-*  
8 *nificant amounts of computer programming prior to*  
9 *December 31, 1999, in order to carry out such provi-*  
10 *sions.*

11 **SEC. 4002. TAX LAW COMPLEXITY ANALYSIS.**

12       (a) *COMMISSIONER STUDY.*—

13           (1) *IN GENERAL.*—*The Commissioner of Internal*  
14 *Revenue shall conduct each year an analysis of the*  
15 *sources of the complexity of the administration of the*  
16 *Federal tax laws. Such analysis may include an*  
17 *analysis of—*

18                   (A) *questions frequently asked by taxpayers*  
19 *with respect to return filing,*

20                   (B) *common errors made by taxpayers in*  
21 *filling out their returns,*

22                   (C) *areas of law which frequently result in*  
23 *disagreements between taxpayers and the Inter-*  
24 *nal Revenue Service,*

1           (D) major areas of law in which there is no  
2           (or incomplete) published guidance or in which  
3           the law is uncertain,

4           (E) areas in which revenue officers make  
5           frequent errors interpreting or applying the law,

6           (F) the impact of recent legislation on com-  
7           plexity, and

8           (G) forms supplied by the Internal Revenue  
9           Service, including the time it takes for taxpayers  
10          to complete and review forms, the number of tax-  
11          payers who use each form, and how recent legis-  
12          lation has affected the time it takes to complete  
13          and review forms.

14          (2) *REPORT.*—The Commissioner shall each year  
15          report the results of the analysis conducted under  
16          paragraph (1) to the Committee on Ways and Means  
17          of the House of Representatives and the Committee on  
18          Finance of the Senate. The report shall include any  
19          recommendations—

20               (A) for reducing the complexity of the ad-  
21               ministration of Federal tax laws, and

22               (B) for repeal or modification of any provi-  
23               sion the Commissioner believes adds undue and  
24               unnecessary complexity to the administration of  
25               the Federal tax laws.

1       (b) ANALYSIS TO ACCOMPANY CERTAIN LEGISLA-  
2 TION.—

3           (1) IN GENERAL.—*The Joint Committee on Tax-*  
4 *ation, in consultation with the Internal Revenue*  
5 *Service and the Department of the Treasury, shall in-*  
6 *clude a tax complexity analysis in each report for leg-*  
7 *islation, or provide such analysis to members of the*  
8 *committee reporting the legislation as soon as prac-*  
9 *ticable after the report is filed, if—*

10           (A) *such legislation is reported by the Com-*  
11 *mittee on Finance in the Senate, the Committee*  
12 *on Ways and Means of the House of Representa-*  
13 *tives, or any committee of conference, and*

14           (B) *such legislation includes a provision*  
15 *which would directly or indirectly amend the In-*  
16 *ternal Revenue Code of 1986 and which has*  
17 *widespread applicability to individuals or small*  
18 *businesses.*

19           (2) TAX COMPLEXITY ANALYSIS.—*For purposes*  
20 *of this subsection, the term “tax complexity analysis”*  
21 *means, with respect to any legislation, a report on the*  
22 *complexity and administrative difficulties of each*  
23 *provision described in paragraph (1)(B) which—*

24           (A) *includes—*

1           (i) an estimate of the number of tax-  
2           payers affected by the provision, and

3           (ii) if applicable, the income level of  
4           taxpayers affected by the provision, and  
5           (B) should include (if determinable)—

6           (i) the extent to which tax forms sup-  
7           plied by the Internal Revenue Service would  
8           require revision and whether any new forms  
9           would be required,

10          (ii) the extent to which taxpayers  
11          would be required to keep additional  
12          records,

13          (iii) the estimated cost to taxpayers to  
14          comply with the provision,

15          (iv) the extent to which enactment of  
16          the provision would require the Internal  
17          Revenue Service to develop or modify regu-  
18          latory guidance,

19          (v) the extent to which the provision  
20          may result in disagreements between tax-  
21          payers and the Internal Revenue Service,  
22          and

23          (vi) any expected impact on the Inter-  
24          nal Revenue Service from the provision (in-  
25          cluding the impact on internal training, re-

vision of the Internal Revenue Manual, re-programming of computers, and the extent to which the Internal Revenue Service would be required to divert or redirect resources in response to the provision).

(3) *EFFECTIVE DATE.*—This subsection shall apply to legislation considered on or after January 1, 1999.

## **TITLE V—REVENUE PROVISIONS**

### **SEC. 5001. CLARIFICATION OF DEDUCTION FOR DEFERRED COMPENSATION.**

(a) *IN GENERAL.*—Section 404(a) (relating to deduction for contributions of an employer to an employee’s trust or annuity plan and compensation under a deferred-payment plan) is amended by adding at the end the following new paragraph:

“(11) *DETERMINATIONS RELATING TO DEFERRED COMPENSATION.*—For purposes of determining under this section—

“(A) whether compensation of an employee is deferred compensation, and

“(B) when deferred compensation is paid, no amount shall be treated as received by the employee, or paid, until it is actually received by the employee.”.

1       (b) *EFFECTIVE DATE.*—

2               (1) *IN GENERAL.*—*The amendment made by sub-*  
 3       *section (a) shall apply to taxable years ending after*  
 4       *the date of the enactment of this Act.*

5               (2) *CHANGE IN METHOD OF ACCOUNTING.*—*In*  
 6       *the case of any taxpayer required by the amendment*  
 7       *made by subsection (a) to change its method of ac-*  
 8       *counting for its first taxable year ending after the*  
 9       *date of the enactment of this Act—*

10              (A) *such change shall be treated as initiated*  
 11       *by the taxpayer,*

12              (B) *such change shall be treated as made*  
 13       *with the consent of the Secretary of the Treasury,*  
 14       *and*

15              (C) *the net amount of the adjustments re-*  
 16       *quired to be taken into account by the taxpayer*  
 17       *under section 481 of the Internal Revenue Code*  
 18       *of 1986 shall be taken into account in such first*  
 19       *taxable year.*

20   **SEC. 5002. MODIFICATION TO FOREIGN TAX CREDIT**  
 21       **CARRYBACK AND CARRYOVER PERIODS.**

22       (a) *IN GENERAL.*—*Section 904(c) (relating to limita-*  
 23       *tion on credit) is amended—*

24              (1) *by striking “in the second preceding taxable*  
 25       *year,” and*

1                   (2) by striking “or fifth” and inserting “fifth,  
2                   sixth, or seventh”.

(b) *EFFECTIVE DATE.*—The amendment made by sub-  
section (a) shall apply to credits arising in taxable years  
beginning after December 31, 1998.

6 **SEC. 5003. CLARIFICATION AND EXPANSION OF MATHE-**  
7 **MATICAL ERROR ASSESSMENT PROCEDURES.**

8 (a) *TIN DEEMED INCORRECT IF INFORMATION ON RE-*  
9 *TURN DIFFERS WITH AGENCY RECORDS.*—Section  
10 6213(g)(2) (defining mathematical or clerical error) is  
11 amended by adding at the end the following flush sentence:

12        “A taxpayer shall be treated as having omitted a cor-  
13        rect TIN for purposes of the preceding sentence if in-  
14        formation provided by the taxpayer on the return  
15        with respect to the individual whose TIN was pro-  
16        vided differs from the information the Secretary ob-  
17        tains from the person issuing the TIN.”.

(b) *EXPANSION OF MATHEMATICAL ERROR PROCEDURES TO CASES WHERE TIN ESTABLISHES INDIVIDUAL NOT ELIGIBLE FOR TAX CREDIT.*—Section 6213(g)(2), as amended by title VI of this Act, is amended by striking “and” at the end of subparagraph (J), by striking the period at the end of the subparagraph (K) and inserting “, and”, and by adding at the end the following new subparagraph:

1           “(L) the inclusion on a return of a TIN re-  
 2           quired to be included on the return under section  
 3           21, 24, or 32 if—

4           “(i) such TIN is of an individual  
 5           whose age affects the amount of the credit  
 6           under such section, and

7           “(ii) the computation of the credit on  
 8           the return reflects the treatment of such in-  
 9           dividual as being of an age different from  
 10          the individual’s age based on such TIN.”.

11          (c) *EFFECTIVE DATE.*—The amendments made by this  
 12          section shall apply to taxable years ending after the date  
 13          of the enactment of this Act.

14          **SEC. 5004. TERMINATION OF EXCEPTION FOR CERTAIN**  
 15                               **REAL ESTATE INVESTMENT TRUSTS FROM**  
 16                               **THE TREATMENT OF STAPLED ENTITIES.**

17          (a) *IN GENERAL.*—Notwithstanding paragraph (3) of  
 18          section 136(c) of the Tax Reform Act of 1984 (relating to  
 19          stapled stock; stapled entities), the REIT gross income pro-  
 20          visions shall be applied by treating the activities and gross  
 21          income of members of the stapled REIT group properly allo-  
 22          cable to any nonqualified real property interest held by the  
 23          exempt REIT or any stapled entity which is a member of  
 24          such group (or treated under subsection (c) as held by such  
 25          REIT or stapled entity) as the activities and gross income



1 of the exempt REIT in the same manner as if the exempt  
2 REIT and such group were 1 entity.

3 (b) *NONQUALIFIED REAL PROPERTY INTEREST.*—For  
4 purposes of this section—

5 (1) *IN GENERAL.*—The term “nonqualified real  
6 property interest” means, with respect to any exempt  
7 REIT, any interest in real property acquired after  
8 March 26, 1998, by the exempt REIT or any stapled  
9 entity.

10 (2) *EXCEPTION FOR BINDING CONTRACTS, ETC.*—  
11 Such term shall not include any interest in real prop-  
12 erty acquired after March 26, 1998, by the exempt  
13 REIT or any stapled entity if—

14 (A) the acquisition is pursuant to a written  
15 agreement which was binding on such date and  
16 at all times thereafter on such REIT or stapled  
17 entity, or

18 (B) the acquisition is described on or before  
19 such date in a public announcement or in a fil-  
20 ing with the Securities and Exchange Commis-  
21 sion.

22 (3) *IMPROVEMENTS AND LEASES.*—

23 (A) *IN GENERAL.*—Except as otherwise pro-  
24 vided in this paragraph, the term “nonqualified  
25 real property interest” shall not include—

1                   (i) any improvement to land owned or  
2                   leased by the exempt REIT or any member  
3                   of the stapled REIT group, and

4                   (ii) any repair to, or improvement of,  
5                   any improvement owned or leased by the ex-  
6                   empt REIT or any member of the stapled  
7                   REIT group,

8                   if such ownership or leasehold interest is a quali-  
9                   fied real property interest.

10                  (B) *LEASES*.—Such term shall not include  
11                  any lease of a qualified real property interest.

12                  (C) *TERMINATION WHERE CHANGE IN*  
13                  *USE*.—

14                   (i) *IN GENERAL*.—Subparagraph (A)  
15                   shall not apply to any improvement placed  
16                   in service after December 31, 1999, which is  
17                   part of a change in the use of the property  
18                   to which such improvement relates unless  
19                   the cost of such improvement does not exceed  
20                   200 percent of—

21                   (I) the cost of such property, or

22                   (II) if such property is substituted  
23                   basis property (as defined in section  
24                   7701(a)(42) of the Internal Revenue

1                   Code of 1986), the fair market value of  
2                   the property at the time of acquisition.

3                   (ii) *BINDING CONTRACTS.*—For pur-  
4                   poses of clause (i), an improvement shall be  
5                   treated as placed in service before January  
6                   1, 2000, if such improvement is placed in  
7                   service before January 1, 2004, pursuant to  
8                   a binding contract in effect on December 31,  
9                   1999, and at all times thereafter.

10                  (4) *TREATMENT OF ENTITIES WHICH ARE NOT*  
11                  *STAPLED, ETC. ON MARCH 26, 1998.*—Notwithstanding  
12                  any other provision of this section, all interests in  
13                  real property held by an exempt REIT or any stapled  
14                  entity with respect to such REIT (or treated under  
15                  subsection (c) as held by such REIT or stapled entity)  
16                  shall be treated as nonqualified real property interests  
17                  unless—

18                         (A) such stapled entity was a stapled entity  
19                         with respect to such REIT as of March 26, 1998,  
20                         and at all times thereafter, and

21                         (B) as of March 26, 1998, and at all times  
22                         thereafter, such REIT was a real estate invest-  
23                         ment trust.

24                  (5) *QUALIFIED REAL PROPERTY INTEREST.*—The  
25                  term “qualified real property interest” means any in-

1        *terest in real property other than a nonqualified real*  
 2        *property interest.*

3        *(c) TREATMENT OF PROPERTY HELD BY 10-PERCENT*  
 4        *SUBSIDIARIES.—For purposes of this section—*

5            *(1) IN GENERAL.—Any exempt REIT and any*  
 6        *stapled entity shall be treated as holding their propor-*  
 7        *tionate shares of each interest in real property held*  
 8        *by any 10-percent subsidiary entity of the exempt*  
 9        *REIT or stapled entity, as the case may be.*

10          *(2) PROPERTY HELD BY 10-PERCENT SUBSIDI-*  
 11        *ARIES TREATED AS NONQUALIFIED.—*

12            *(A) IN GENERAL.—Except as provided in*  
 13        *subparagraph (B), any interest in real property*  
 14        *held by a 10-percent subsidiary entity of an ex-*  
 15        *empt REIT or stapled entity shall be treated as*  
 16        *a nonqualified real property interest.*

17            *(B) EXCEPTION FOR INTERESTS IN REAL*  
 18        *PROPERTY HELD ON MARCH 26, 1998, ETC.—In*  
 19        *the case of an entity which was a 10-percent sub-*  
 20        *sidary entity of an exempt REIT or stapled en-*  
 21        *tity on March 26, 1998, and at all times there-*  
 22        *after, an interest in real property held by such*  
 23        *subsidiary entity shall be treated as a qualified*  
 24        *real property interest if such interest would be so*

1           *treated if held directly by the exempt REIT or*  
2           *the stapled entity.*

3           (3) *REDUCTION IN QUALIFIED REAL PROPERTY*  
4           *INTERESTS IF INCREASE IN OWNERSHIP OF SUBSIDI-*  
5           *ARY.—If, after March 26, 1998, an exempt REIT or*  
6           *stapled entity increases its ownership interest in a*  
7           *subsidiary entity to which paragraph (2)(B) applies*  
8           *above its ownership interest in such subsidiary entity*  
9           *as of such date, the additional portion of each interest*  
10          *in real property which is treated as held by the ex-*  
11          *empt REIT or stapled entity by reason of such in-*  
12          *creased ownership shall be treated as a nonqualified*  
13          *real property interest.*

14          (4) *SPECIAL RULES FOR DETERMINING OWNER-*  
15          *SHIP.—For purposes of this subsection—*

16                 (A) *percentage ownership of an entity shall*  
17                 *be determined in accordance with subsection*  
18                 *(e)(4),*

19                 (B) *interests in the entity which are ac-*  
20                 *quired by the exempt REIT or stapled entity in*  
21                 *any acquisition described in an agreement, an-*  
22                 *nouncement, or filing described in subsection*  
23                 *(b)(2) shall be treated as acquired on March 26,*  
24                 *1998, and*

1           (C) *except as provided in guidance pre-*  
2           *scribed by the Secretary, any change in propor-*  
3           *tionate ownership which is attributable solely to*  
4           *fluctuations in the relative fair market values of*  
5           *different classes of stock shall not be taken into*  
6           *account.*

7           (d) *TREATMENT OF PROPERTY SECURED BY MORT-*  
8           *GAGE HELD BY EXEMPT REIT OR MEMBER OF STAPLED*  
9           *REIT GROUP.—*

10           (1) *IN GENERAL.—In the case of any non-*  
11           *qualified obligation held by an exempt REIT or any*  
12           *member of the stapled REIT group, the REIT gross*  
13           *income provisions shall be applied by treating the ex-*  
14           *empt REIT as having impermissible tenant service*  
15           *income equal to—*

16                   (A) *the interest income from such obligation*  
17                   *which is properly allocable to the property de-*  
18                   *scribed in paragraph (2), and*

19                   (B) *the income of any member of the stapled*  
20                   *REIT group from services described in para-*  
21                   *graph (2) with respect to such property.*

22           *If the income referred to in subparagraph (A) or (B)*  
23           *is of a 10-percent subsidiary entity, only the portion*  
24           *of such income which is properly allocable to the ex-*

1        *empt REIT's or the stapled entity's interest in the*  
 2        *subsidiary entity shall be taken into account.*

3            (2) *NONQUALIFIED OBLIGATION.*—*Except as oth-*  
 4        *erwise provided in this subsection, the term “non-*  
 5        *qualified obligation” means any obligation secured by*  
 6        *a mortgage on an interest in real property if the in-*  
 7        *come of any member of the stapled REIT group for*  
 8        *services furnished with respect to such property would*  
 9        *be impermissible tenant service income were such*  
 10       *property held by the exempt REIT and such services*  
 11       *furnished by the exempt REIT.*

12           (3) *EXCEPTION FOR CERTAIN MARKET RATE OB-*  
 13        *LIGATIONS.*—*Such term shall not include any obliga-*  
 14        *tion—*

15                (A) *payments under which would be treated*  
 16                *as interest if received by a REIT, and*

17                (B) *the rate of interest on which does not*  
 18                *exceed an arm's length rate.*

19           (4) *EXCEPTION FOR EXISTING OBLIGATIONS.*—  
 20        *Such term shall not include any obligation—*

21                (A) *which is secured on March 26, 1998, by*  
 22                *an interest in real property, and*

23                (B) *which is held on such date by the ex-*  
 24                *empt REIT or any entity which is a member of*

1           the stapled REIT group on such date and at all  
 2           times thereafter,  
 3           but only so long as such obligation is secured by such  
 4           interest. The preceding sentence shall not cease to  
 5           apply by reason of the refinancing of the obligation  
 6           if (immediately after the refinancing) the principal  
 7           amount of the obligation resulting from the refinanc-  
 8           ing does not exceed the principal amount of the refi-  
 9           nanced obligation (immediately before the refinanc-  
 10          ing).

11           (5) TREATMENT OF ENTITIES WHICH ARE NOT  
 12           STAPLED, ETC. ON MARCH 26, 1998.—A rule similar to  
 13           the rule of subsection (b)(4) shall apply for purposes  
 14           of this subsection.

15           (6) INCREASE IN AMOUNT OF NONQUALIFIED OB-  
 16           LIGATIONS IF INCREASE IN OWNERSHIP OF SUBSIDI-  
 17           ARY.—A rule similar to the rule of subsection (c)(3)  
 18           shall apply for purposes of this subsection.

19           (7) COORDINATION WITH SUBSECTION (a).—This  
 20           subsection shall not apply to the portion of any inter-  
 21           est in real property that the exempt REIT or stapled  
 22           entity holds or is treated as holding under this section  
 23           without regard to this subsection.

24           (e) DEFINITIONS.—For purposes of this section—



1           (1) *REIT GROSS INCOME PROVISIONS.*—*The*  
2           *term “REIT gross income provisions” means—*

3                     *(A) paragraphs (2), (3), and (6) of section*  
4                     *856(c) of the Internal Revenue Code of 1986, and*  
5                     *(B) section 857(b)(5) of such Code.*

6           (2) *EXEMPT REIT.*—*The term “exempt REIT”*  
7           *means a real estate investment trust to which section*  
8           *269B of the Internal Revenue Code of 1986 does not*  
9           *apply by reason of paragraph (3) of section 136(c) of*  
10           *the Tax Reform Act of 1984.*

11           (3) *STAPLED REIT GROUP.*—*The term “stapled*  
12           *REIT group” means, with respect to an exempt*  
13           *REIT, the group consisting of—*

14                     *(A) all entities which are stapled entities*  
15                     *with respect to the exempt REIT, and*

16                     *(B) all entities which are 10-percent sub-*  
17                     *sidary entities of the exempt REIT or any such*  
18                     *stapled entity.*

19           (4) *10-PERCENT SUBSIDIARY ENTITY.*—

20                     *(A) IN GENERAL.*—*The term “10-percent*  
21                     *subsidiary entity” means, with respect to any*  
22                     *exempt REIT or stapled entity, any entity in*  
23                     *which the exempt REIT or stapled entity (as the*  
24                     *case may be) directly or indirectly holds at least*  
25                     *a 10-percent interest.*

1           (B) *EXCEPTION FOR CERTAIN C CORPORA-*  
 2           *TION SUBSIDIARIES OF REITS.*—A corporation  
 3           which would, but for this subparagraph, be treat-  
 4           ed as a 10-percent subsidiary of an exempt  
 5           REIT shall not be so treated if such corporation  
 6           is taxable under section 11 of the Internal Reve-  
 7           nue Code of 1986.

8           (C) *10-PERCENT INTEREST.*—The term “10-  
 9           percent interest” means—

10           (i) in the case of an interest in a cor-  
 11           poration, ownership of 10 percent (by vote  
 12           or value) of the stock in such corporation,

13           (ii) in the case of an interest in a  
 14           partnership, ownership of 10 percent of the  
 15           assets or net profits interest in the partner-  
 16           ship, and

17           (iii) in any other case, ownership of 10  
 18           percent of the beneficial interests in the en-  
 19           tity.

20           (5) *OTHER DEFINITIONS.*—Terms used in this  
 21           section which are used in section 269B or section 856  
 22           of such Code shall have the respective meanings given  
 23           such terms by such section.

24           (f) *GUIDANCE.*—The Secretary may prescribe such  
 25           guidance as may be necessary or appropriate to carry out

1 *the purposes of this section, including guidance to prevent*  
 2 *the avoidance of such purposes and to prevent the double*  
 3 *counting of income.*

4 (g) *EFFECTIVE DATE.*—*This section shall apply to*  
 5 *taxable years ending after March 26, 1998.*

6 **SEC. 5005. CERTAIN CUSTOMER RECEIVABLES INELIGIBLE**  
 7 **FOR MARK-TO-MARKET TREATMENT.**

8 (a) *CERTAIN RECEIVABLES NOT ELIGIBLE FOR MARK*  
 9 *TO MARKET.*—*Section 475(c) (relating to definitions) is*  
 10 *amended by adding at the end the following new paragraph:*

11 “(4) *SPECIAL RULES FOR CERTAIN RECEIV-*  
 12 *ABLES.*—

13 “(A) *IN GENERAL.*—*Paragraph (2)(C) shall*  
 14 *not include any note, bond, debenture, or other*  
 15 *evidence of indebtedness which is nonfinancial*  
 16 *customer paper.*

17 “(B) *NONFINANCIAL CUSTOMER PAPER.*—  
 18 *For purposes of subparagraph (A), the term*  
 19 *‘nonfinancial customer paper’ means any receiv-*  
 20 *able—*

21 “(i) *arising out of the sale of goods or*  
 22 *services by a person the principal activity*  
 23 *of which is the selling or providing of non-*  
 24 *financial goods and services, and*

1                   “(ii) held by such person (or a person  
2                   who bears a relationship to such person de-  
3                   scribed in section 267(b) or 707(b)) at all  
4                   times since issue.”.

5           (b) *EFFECTIVE DATE.*—

6                   (1) *IN GENERAL.*—The amendments made by  
7                   this section shall apply to taxable years ending after  
8                   the date of the enactment of this Act.

9                   (2) *CHANGE IN METHOD OF ACCOUNTING.*—In  
10                  the case of any taxpayer required by the amendments  
11                  made by this section to change its method of account-  
12                  ing for its first taxable year ending after the date of  
13                  the enactment of this Act—

14                       (A) such change shall be treated as initiated  
15                       by the taxpayer,

16                       (B) such change shall be treated as made  
17                       with the consent of the Secretary of the Treasury,  
18                       and

19                       (C) the net amount of the adjustments re-  
20                       quired to be taken into account by the taxpayer  
21                       under section 481 of the Internal Revenue Code  
22                       of 1986 shall be taken into account ratably over  
23                       the 4-taxable year period beginning with such  
24                       first taxable year.

1 **SEC. 5006. INCLUSION OF ROTAVIRUS GASTROENTERITIS**  
 2 **TO LIST OF TAXABLE VACCINES.**

3 (a) *IN GENERAL.*—Section 4132(1) (defining taxable  
 4 vaccine) is amended by adding at the end the following new  
 5 subparagraph:

6 “(K) Any vaccine against rotavirus  
 7 gastroenteritis.”.

8 (b) *EFFECTIVE DATE.*—

9 (1) *SALES.*—The amendment made by this sec-  
 10 tion shall apply to sales after the date of the enact-  
 11 ment of this Act.

12 (2) *DELIVERIES.*—For purposes of paragraph  
 13 (1), in the case of sales on or before the date of the  
 14 enactment of this Act for which delivery is made after  
 15 such date, the delivery date shall be considered the  
 16 sale date.

17 **SEC. 5007. CLARIFICATION OF DEFINITION OF SPECIFIED**  
 18 **LIABILITY LOSS.**

19 (a) *IN GENERAL.*—Subparagraph (B) of section  
 20 172(f)(1) (defining specified liability loss) is amended to  
 21 read as follows:

22 “(B) Any amount (not described in sub-  
 23 paragraph (A)) allowable as a deduction under  
 24 this chapter which is attributable to a liability—

25 “(i) under a Federal or State law re-  
 26 quiring the reclamation of land, decommis-

1            *sioning of a nuclear power plant (or any*  
 2            *unit thereof), dismantlement of an offshore*  
 3            *drilling platform, remediation of environ-*  
 4            *mental contamination, or payment of work-*  
 5            *men’s compensation, and*

6            *“(ii) with respect to which the act (or*  
 7            *failure to act) giving rise to such liability*  
 8            *occurs at least 3 years before the beginning*  
 9            *of the taxable year.”.*

10        *(b) EFFECTIVE DATE.—The amendment made by this*  
 11        *section shall apply to net operating losses arising in taxable*  
 12        *years beginning after the date of the enactment of this Act.*

13        **SEC. 5008. MODIFICATION OF AGI LIMIT FOR CONVERSIONS**  
 14            **TO ROTH IRAS.**

15        *(a) IN GENERAL.—Section 408A(c)(3)(C)(i) (relating*  
 16        *to limits based on modified adjusted gross income) is*  
 17        *amended to read as follows:*

18            *“(i) adjusted gross income shall be de-*  
 19            *termined in the same manner as under sec-*  
 20            *tion 219(g)(3), except that—*

21            *“(I) any amount included in*  
 22            *gross income under subsection (d)(3)*  
 23            *shall not be taken into account, and*

24            *“(II) any amount included in*  
 25            *gross income by reason of a required*

1                    *distribution under a provision de-*  
 2                    *scribed in paragraph (5) shall not be*  
 3                    *taken into account for purposes of sub-*  
 4                    *paragraph (B)(i).”.*

5            *(b) EFFECTIVE DATE.—The amendment made by this*  
 6            *section shall apply to taxable years beginning after Decem-*  
 7            *ber 31, 2004.*

8    **SEC. 5009. EXTENSION OF INTERNAL REVENUE SERVICE**  
 9                    **USER FEES.**

10            *Subsection (c) of section 10511 of the Revenue Act of*  
 11            *1987 is amended by striking “October 1, 2003” and insert-*  
 12            *ing “October 1, 2007”.*

13                    **TITLE VI—TECHNICAL**  
 14                    **CORRECTIONS**

15    **SEC. 6001. SHORT TITLE.**

16            *This title may be cited as the “Tax Technical Correc-*  
 17            *tions Act of 1998”.*

18    **SEC. 6002. DEFINITIONS.**

19            *For purposes of this title—*

20                    *(1) 1986 CODE.—The term “1986 Code” means*  
 21                    *the Internal Revenue Code of 1986.*

22                    *(2) 1997 ACT.—The term “1997 Act” means the*  
 23                    *Taxpayer Relief Act of 1997.*

1 **SEC. 6003. AMENDMENTS RELATED TO TITLE I OF 1997 ACT.**

2 (a) *AMENDMENTS RELATED TO SECTION 101(a) OF*  
3 *1997 ACT.—*

4 (1) *Subsection (d) of section 24 of the 1986 Code*  
5 *is amended—*

6 (A) *by striking paragraphs (3) and (4),*

7 (B) *by redesignating paragraph (5) as*  
8 *paragraph (3), and*

9 (C) *by striking paragraphs (1) and (2) and*  
10 *inserting the following new paragraphs:*

11 “(1) *IN GENERAL.—In the case of a taxpayer*  
12 *with 3 or more qualifying children for any taxable*  
13 *year, the aggregate credits allowed under subpart C*  
14 *shall be increased by the lesser of—*

15 “(A) *the credit which would be allowed*  
16 *under this section without regard to this sub-*  
17 *section and the limitation under section 26(a),*  
18 *or*

19 “(B) *the amount by which the aggregate*  
20 *amount of credits allowed by this subpart (with-*  
21 *out regard to this subsection) would increase if*  
22 *the limitation imposed by section 26(a) were in-*  
23 *creased by the excess (if any) of—*

24 “(i) *the taxpayer’s social security taxes*  
25 *for the taxable year, over*



1                   “(ii) the credit allowed under section  
2                   32 (determined without regard to subsection  
3                   (n)) for the taxable year.

4                   The amount of the credit allowed under this sub-  
5                   section shall not be treated as a credit allowed under  
6                   this subpart and shall reduce the amount of credit  
7                   otherwise allowable under subsection (a) without re-  
8                   gard to section 26(a).

9                   “(2) REDUCTION OF CREDIT TO TAXPAYER SUB-  
10                  JECT TO ALTERNATIVE MINIMUM TAX.—The credit de-  
11                  termined under this subsection for the taxable year  
12                  shall be reduced by the excess (if any) of—

13                   “(A) the amount of tax imposed by section  
14                   55 (relating to alternative minimum tax) with  
15                   respect to such taxpayer for such taxable year,  
16                   over

17                   “(B) the amount of the reduction under sec-  
18                   tion 32(h) with respect to such taxpayer for such  
19                   taxable year.”.

20                  (2) Paragraph (3) of section 24(d) of the 1986  
21                  Code (as redesignated by paragraph (1)) is amended  
22                  by striking “paragraph (3)” and inserting “para-  
23                  graph (1)”.

24                  (b) AMENDMENTS RELATED TO SECTION 101(b) OF  
25                  1997 ACT.—

1           (1) *The subsection (m) of section 32 of the 1986*  
2       *Code added by section 101(b) of the 1997 Act is*  
3       *amended to read as follows:*

4       “(n) *SUPPLEMENTAL CHILD CREDIT.*—

5           “(1) *IN GENERAL.*—*In the case of a taxpayer*  
6       *with respect to whom a credit is allowed under sec-*  
7       *tion 24(a) for the taxable year, the credit otherwise*  
8       *allowable under this section shall be increased by the*  
9       *lesser of—*

10           “(A) *the excess of—*

11               “(i) *the credits allowed under subpart*  
12       *A (determined after the application of sec-*  
13       *tion 26 and without regard to this sub-*  
14       *section), over*

15               “(ii) *the credits which would be al-*  
16       *lowed under subpart A after the application*  
17       *of section 26, determined without regard to*  
18       *section 24 and this subsection, or*

19           “(B) *the excess of—*

20               “(i) *the sum of the credits allowed*  
21       *under this part (determined without regard*  
22       *to sections 31, 33, and 34 and this sub-*  
23       *section), over*

1                   “(ii) the sum of the regular tax and the  
2                   social security taxes (as defined in section  
3                   24(d)).

4                   *The credit determined under this subsection shall be*  
5                   *allowed without regard to any other provision of this*  
6                   *section, including subsection (d).*

7                   “(2) COORDINATION WITH OTHER CREDITS.—  
8                   *The amount of the credit under this subsection shall*  
9                   *reduce the amount of the credits otherwise allowable*  
10                  *under subpart A for the taxable year (determined*  
11                  *after the application of section 26), but the amount*  
12                  *of the credit under this subsection (and such reduc-*  
13                  *tion) shall not be taken into account in determining*  
14                  *the amount of any other credit allowable under this*  
15                  *part.”.*

16 **SEC. 6004. AMENDMENTS RELATED TO TITLE II OF 1997 ACT.**

17                  (a) AMENDMENTS RELATED TO SECTION 201 OF 1997  
18 ACT.—

19                  (1) *The item relating to section 25A in the table*  
20                  *of sections for subpart A of part IV of subchapter A*  
21                  *of chapter 1 of the 1986 Code is amended to read as*  
22                  *follows:*

                  “Sec. 25A. Hope and Lifetime Learning credits.”.

23                  (2) *Subsection (a) of section 6050S of the 1986*  
24                  *Code is amended to read as follows:*

25                  “(a) IN GENERAL.—Any person—

1           “(1) which is an eligible educational institu-  
2       tion—

3                   “(A) which receives payments for qualified  
4       tuition and related expenses with respect to any  
5       individual for any calendar year, or

6                   “(B) which makes reimbursements or re-  
7       funds (or similar amounts) to any individual of  
8       qualified tuition and related expenses,

9           “(2) which is engaged in a trade or business of  
10      making payments to any individual under an insur-  
11      ance arrangement as reimbursements or refunds (or  
12      similar amounts) of qualified tuition and related ex-  
13      penses, or

14           “(3) except as provided in regulations, which is  
15      engaged in a trade or business and, in the course of  
16      which, receives from any individual interest aggregat-  
17      ing \$600 or more for any calendar year on 1 or more  
18      qualified education loans,

19      shall make the return described in subsection (b) with re-  
20      spect to the individual at such time as the Secretary may  
21      by regulations prescribe.”.

22           (3) Subparagraph (A) of section 201(c)(2) of the  
23      1997 Act is amended to read as follows:

24                   “(A) Subparagraph (B) of section  
25      6724(d)(1) (relating to definitions) is amended

1           *by redesignating clauses (x) through (xv) as*  
 2           *clauses (xi) through (xvi), respectively, and by*  
 3           *inserting after clause (ix) the following new*  
 4           *clause:*

5                       *“(x) section 6050S (relating to re-*  
 6                       *turns relating to payments for qualified tui-*  
 7                       *tion and related expenses),’”.*

8           ***(b) AMENDMENT RELATED TO SECTION 202 OF 1997***  
 9           ***ACT.***—*Paragraph (1) of section 221(e) of the 1986 Code is*  
 10           *amended by inserting “by the taxpayer” after “incurred”*  
 11           *the first place it appears.*

12           ***(c) AMENDMENTS RELATED TO SECTION 211 OF 1997***  
 13           ***ACT.***—

14                       ***(1) Paragraph (3) of section 135(c) of the 1986***  
 15           ***Code is amended to read as follows:***

16                       ***“(3) ELIGIBLE EDUCATIONAL INSTITUTION.—The***  
 17                       ***term ‘eligible educational institution’ has the mean-***  
 18                       ***ing given such term by section 529(e)(5).”.***

19                       ***(2) Subparagraph (A) of section 529(c)(3) of the***  
 20           ***1986 Code is amended by striking “section 72(b)”***  
 21           ***and inserting “section 72”.***

22                       ***(3) Paragraph (2) of section 529(e) of the 1986***  
 23           ***Code is amended to read as follows:***

1           “(2) *MEMBER OF FAMILY.*—The term ‘member of  
2       the family’ means, with respect to any designated  
3       beneficiary—

4                     “(A) the spouse of such beneficiary,

5                     “(B) an individual who bears a relation-  
6       ship to such beneficiary which is described in  
7       paragraphs (1) through (8) of section 152(a),  
8       and

9                     “(C) the spouse of any individual described  
10       in subparagraph (B).”.

11       (d) *AMENDMENTS RELATED TO SECTION 213 OF 1997*  
12 *ACT.*—

13           (1) *Section 530(b)(1) of the 1986 Code (defining*  
14 *education individual retirement account) is amended*  
15 *by inserting “an individual who is” before “the des-*  
16 *ignated beneficiary” in the material preceding sub-*  
17 *paragraph (A).*

18           (2)(A) *Section 530(b)(1)(E) of the 1986 Code*  
19 *(defining education individual retirement account) is*  
20 *amended to read as follows:*

21                     “(E) *Except as provided in subsection*  
22 *(d)(7), any balance to the credit of the des-*  
23 *ignated beneficiary on the date on which the ben-*  
24 *eficiary attains age 30 shall be distributed with-*  
25 *in 30 days after such date to the beneficiary or,*

1           *if the beneficiary dies before attaining age 30,*  
2           *shall be distributed within 30 days after the date*  
3           *of death of such beneficiary.”.*

4           *(B) Paragraph (7) of section 530(d) of the 1986*  
5           *Code is amended by inserting at the end the following*  
6           *new sentence: “In applying the preceding sentence,*  
7           *members of the family of the designated beneficiary*  
8           *shall be treated in the same manner as the spouse*  
9           *under such paragraph (8).”.*

10          *(C) Subsection (d) of section 530 of the 1986*  
11          *Code is amended by adding at the end the following*  
12          *new paragraph:*

13                *“(8) DEEMED DISTRIBUTION ON REQUIRED DIS-*  
14                *TRIBUTION DATE.—In any case in which a distribu-*  
15                *tion is required under subsection (b)(1)(E), any bal-*  
16                *ance to the credit of a designated beneficiary as of the*  
17                *close of the 30-day period referred to in such sub-*  
18                *section for making such distribution shall be deemed*  
19                *distributed at the close of such period.”.*

20           *(3)(A) Paragraph (1) of section 530(d) of the*  
21           *1986 Code is amended by striking “section 72(b)”*  
22           *and inserting “section 72”.*

23           *(B) Subsection (e) of section 72 of the 1986 Code*  
24           *is amended by inserting after paragraph (8) the fol-*  
25           *lowing new paragraph:*

1           “(9) *EXTENSION OF PARAGRAPH (2)(B) TO QUALI-*  
2           *FIED STATE TUITION PROGRAMS AND EDUCATIONAL*  
3           *INDIVIDUAL RETIREMENT ACCOUNTS.—Notwithstand-*  
4           *ing any other provision of this subsection, paragraph*  
5           *(2)(B) shall apply to amounts received under a quali-*  
6           *fied State tuition program (as defined in section*  
7           *529(b)) or under an education individual retirement*  
8           *account (as defined in section 530(b)). The rule of*  
9           *paragraph (8)(B) shall apply for purposes of this*  
10          *paragraph.”.*

11           (4) *Paragraph (2) of section 135(d) of the 1986*  
12          *Code is amended to read as follows:*

13           “(2) *COORDINATION WITH OTHER HIGHER EDU-*  
14           *CATION BENEFITS.—The amount of the qualified high-*  
15           *er education expenses otherwise taken into account*  
16           *under subsection (a) with respect to the education of*  
17           *an individual shall be reduced (before the application*  
18           *of subsection (b)) by—*

19                   “(A) *the amount of such expenses which are*  
20                   *taken into account in determining the credit al-*  
21                   *lowable to the taxpayer or any other person*  
22                   *under section 25A with respect to such expenses,*  
23                   *and*



1           “(B) the amount of such expenses which are  
2           taken into account in determining the exclusion  
3           under section 530(d)(2).”.

4           (5) Section 530(d)(2) (relating to distributions  
5           for qualified higher education expenses) is amended  
6           by adding at the end the following new subparagraph:

7                   “(D)   DISALLOWANCE   OF   EXCLUDED  
8                   AMOUNTS AS CREDIT OR DEDUCTION.—No deduc-  
9                   tion or credit shall be allowed to the taxpayer  
10                  under any other section of this chapter for any  
11                  qualified education expenses to the extent taken  
12                  into account in determining the amount of the  
13                  exclusion under this paragraph.”.

14          (6) Section 530(d)(4)(B) of the 1986 Code (relat-  
15          ing to exceptions) is amended by striking “or” at the  
16          end of clause (ii), by striking the period at the end  
17          of clause (iii) and inserting “, or”, and by adding at  
18          the end the following new clause:

19                   “(iv) an amount which is includible in  
20                   gross income solely because the taxpayer  
21                   elected under paragraph (2)(C) to waive the  
22                   application of paragraph (2) for the taxable  
23                   year.”.

(7) *So much of section 530(d)(4)(C) of the 1986 Code as precedes clause (ii) thereof is amended to read as follows:*

*“(C) CONTRIBUTIONS RETURNED BEFORE DUE DATE OF RETURN.—Subparagraph (A) shall not apply to the distribution of any contribution made during a taxable year on behalf of the designated beneficiary if—*

*“(i) such distribution is made on or before the day prescribed by law (including extensions of time) for filing the beneficiary’s return of tax for the taxable year or, if the beneficiary is not required to file such a return, the 15th day of the 4th month of the taxable year following the taxable year, and”.*

(8) *Subparagraph (C) of section 135(c)(2) of the 1986 Code is amended—*

*(A) by inserting “AND EDUCATION INDIVIDUAL RETIREMENT ACCOUNTS” in the heading after “PROGRAM”, and*

*(B) by striking “section 529(c)(3)(A)” and inserting “section 72”.*

(9) *Paragraph (1) of section 4973(e) of the 1986 Code is amended to read as follows:*

1           “(1) *IN GENERAL.*—*In the case of education in-*  
2           *dividual retirement accounts maintained for the bene-*  
3           *fit of any 1 beneficiary, the term ‘excess contributions’*  
4           *means the sum of—*

5                   “(A) *the amount by which the amount con-*  
6                   *tributed for the taxable year to such accounts ex-*  
7                   *ceeds \$500 (or, if less, the sum of the maximum*  
8                   *amounts permitted to be contributed under sec-*  
9                   *tion 530(c) by the contributors to such accounts*  
10                  *for such year),*

11                  “(B) *if any amount is contributed during*  
12                  *such year to a qualified State tuition program*  
13                  *for the benefit of such beneficiary, any amount*  
14                  *contributed to such accounts for any taxable*  
15                  *year, and*

16                  “(C) *the amount determined under this sub-*  
17                  *section for the preceding taxable year, reduced by*  
18                  *the sum of—*

19                          “(i) *the distributions out of the ac-*  
20                          *counts for the taxable year which are in-*  
21                          *cluded in gross income, and*

22                          “(ii) *the excess (if any) of the maxi-*  
23                          *imum amount which may be contributed to*  
24                          *the accounts for the taxable year (other than*  
25                          *excess contributions within the meaning of*

1                   subparagraphs (A) and (B)) over the  
 2                   amount contributed to the accounts for the  
 3                   taxable year.”.

4           (e) *AMENDMENTS RELATED TO SECTION 224 OF 1997*  
 5 *ACT.*—

6           (1) *Clauses (vi) and (vii) of section 170(e)(6)(B)*  
 7 *of the 1986 Code are each amended by striking “enti-*  
 8 *ty’s” and inserting “donee’s”.*

9           (2) *Clause (iv) of section 170(e)(6)(B) of the*  
 10 *1986 Code is amended by striking “organization or*  
 11 *entity” and inserting “donee”.*

12           (3) *Subclause (I) of section 170(e)(6)(C)(ii) of*  
 13 *the 1986 Code is amended by striking “an entity”*  
 14 *and inserting “a donee”.*

15           (4) *Section 170(e)(6)(F) of the 1986 Code (relat-*  
 16 *ing to termination) is amended by striking “1999”*  
 17 *and inserting “2000”.*

18           (f) *AMENDMENTS RELATED TO SECTION 225 OF 1997*  
 19 *ACT.*—

20           (1) *The last sentence of section 108(f)(2) of the*  
 21 *1986 Code is amended to read as follows:*

22           *“The term ‘student loan’ includes any loan made by*  
 23 *an educational organization described in section*  
 24 *170(b)(1)(A)(ii) or by an organization exempt from*  
 25 *tax under section 501(a) to refinance a loan to an in-*

1        *dividual to assist the individual in attending any*  
 2        *such educational organization but only if the refi-*  
 3        *nancing loan is pursuant to a program of the refi-*  
 4        *nancing organization which is designed as described*  
 5        *in subparagraph (D)(ii).”.*

6            *(2) Section 108(f)(3) of the 1986 Code is amend-*  
 7        *ed by striking “(or by an organization described in*  
 8        *paragraph (2)(E) from funds provided by an organi-*  
 9        *zation described in paragraph (2)(D))”.*

10        *(g) AMENDMENTS RELATED TO SECTION 226 OF 1997*  
 11        *ACT.—*

12            *(1) Section 226(a) of the 1997 Act is amended*  
 13        *by striking “section 1397E” and inserting “section*  
 14        *1397D”.*

15            *(2) Section 1397E(d)(4)(B) of the 1986 Code is*  
 16        *amended by striking “local education agency as de-*  
 17        *finied” and inserting “local educational agency as de-*  
 18        *finied”.*

19            *(3) Section 1397E is amended by adding at the*  
 20        *end the following new subsection:*

21        *“(h) CREDIT TREATED AS ALLOWED UNDER PART IV*  
 22        *OF SUBCHAPTER A.—For purposes of subtitle F, the credit*  
 23        *allowed by this section shall be treated as a credit allowable*  
 24        *under part IV of subchapter A of this chapter.”.*

1 **SEC. 6005. AMENDMENTS RELATED TO TITLE III OF 1997**

2 **ACT.**

3 *(a) AMENDMENTS RELATED TO SECTION 301 OF 1997*

4 *ACT.—*

5 *(1) Section 219(g) of the 1986 Code is amend-*  
6 *ed—*

7 *(A) by inserting “or the individual’s*  
8 *spouse” after “individual” in paragraph (1),*  
9 *and*

10 *(B) by striking paragraph (7) and insert-*  
11 *ing:*

12 *“(7) SPECIAL RULE FOR SPOUSES WHO ARE NOT*  
13 *ACTIVE PARTICIPANTS.—If this subsection applies to*  
14 *an individual for any taxable year solely because*  
15 *their spouse is an active participant, then, in apply-*  
16 *ing this subsection to the individual (but not their*  
17 *spouse)—*

18 *“(A) the applicable dollar amount under*  
19 *paragraph (3)(B)(i) shall be \$150,000, and*

20 *“(B) the amount applicable under para-*  
21 *graph (2)(A)(ii) shall be \$10,000.”.*

22 *(2) Paragraph (2) of section 301(a) of the 1997*  
23 *Act is amended by inserting “after ‘\$10,000’” before*  
24 *the period.*

25 *(b) AMENDMENTS RELATED TO SECTION 302 OF 1997*

26 *ACT.—*

1           (1) Section 408A(c)(3)(A) of the 1986 Code is  
 2           amended by striking “shall be reduced” and inserting  
 3           “shall not exceed an amount equal to the amount de-  
 4           termined under paragraph (2)(A) for such taxable  
 5           year, reduced”.

6           (2) Section 408A(c)(3) of the 1986 Code (relating  
 7           to limits based on modified adjusted gross income) is  
 8           amended—

9                   (A) by inserting “or a married individual  
 10                  filing a separate return” after “joint return” in  
 11                  subparagraph (A)(ii),

12                  (B) in subparagraph (B)—

13                           (i) by inserting “, for the taxable year  
 14                          of the distribution to which such contribu-  
 15                          tion relates” after “if”, and

16                           (ii) by striking “for such taxable year”  
 17                          in clause (i), and

18                   (C) by striking “and the deduction under  
 19                  section 219 shall be taken into account” in sub-  
 20                  paragraph (C)(i).

21           (3)(A) Section 408A(d)(2) of the 1986 Code (de-  
 22           fining qualified distribution) is amended by striking  
 23           subparagraph (B) and inserting the following:

24                           “(B) DISTRIBUTIONS WITHIN NONEXCLU-  
 25                  SION PERIOD.—A payment or distribution from

1        *a Roth IRA shall not be treated as a qualified*  
 2        *distribution under subparagraph (A) if such*  
 3        *payment or distribution is made within the 5-*  
 4        *taxable year period beginning with the 1st tax-*  
 5        *able year for which the individual made a con-*  
 6        *tribution to a Roth IRA (or such individual's*  
 7        *spouse made a contribution to a Roth IRA) es-*  
 8        *tablished for such individual.”.*

9        *(B) Section 408A(d)(2) of the 1986 Code is*  
 10       *amended by adding at the end the following new sub-*  
 11       *paragraph:*

12                *“(C) DISTRIBUTIONS OF EXCESS CONTRIBU-*  
 13                *TIONS AND EARNINGS.—The term ‘qualified dis-*  
 14                *tribution’ shall not include any distribution of*  
 15                *any contribution described in section 408(d)(4)*  
 16                *and any net income allocable to the contribu-*  
 17                *tion.”.*

18        *(4) Section 408A(d)(3) of the 1986 Code (relat-*  
 19        *ing to rollovers from IRAs other than Roth IRAs) is*  
 20        *amended—*

21                *(A) by striking clause (iii) of subparagraph*  
 22        *(A) and inserting:*

23                        *“(iii) unless the taxpayer elects not to*  
 24                        *have this clause apply for any taxable year,*  
 25                        *any amount required to be included in gross*



1           income for such taxable year by reason of  
 2           this paragraph for any distribution before  
 3           January 1, 1999, shall be so included rat-  
 4           ably over the 4-taxable year period begin-  
 5           ning with such taxable year.

6           Any election under clause (iii) for any distribu-  
 7           tions during a taxable year may not be changed  
 8           after the due date for such taxable year.”; and

9           (B) by adding at the end the following:

10           “(F) *SPECIAL RULES FOR CONTRIBUTIONS*  
 11           *TO WHICH 4-YEAR AVERAGING APPLIES.*—In the  
 12           case of a qualified rollover contribution to a  
 13           Roth IRA of a distribution to which subpara-  
 14           graph (A)(iii) applied, the following rules shall  
 15           apply:

16           “(i) *ACCELERATION OF INCLUSION.*—

17           “(I) *IN GENERAL.*—The amount  
 18           required to be included in gross income  
 19           for each of the first 3 taxable years in  
 20           the 4-year period under subparagraph  
 21           (A)(iii) shall be increased by the aggre-  
 22           gate distributions from Roth IRAs for  
 23           such taxable year which are allocable  
 24           under paragraph (4) to the portion of  
 25           such qualified rollover contribution re-

1           *quired to be included in gross income*  
2           *under subparagraph (A)(i).*

3           “(II) *LIMITATION ON AGGREGATE*  
4           *AMOUNT INCLUDED.—The amount re-*  
5           *quired to be included in gross income*  
6           *for any taxable year under subpara-*  
7           *graph (A)(iii) shall not exceed the ag-*  
8           *gregate amount required to be included*  
9           *in gross income under subparagraph*  
10           *(A)(iii) for all taxable years in the 4-*  
11           *year period (without regard to sub-*  
12           *clause (I)) reduced by amounts in-*  
13           *cluded for all preceding taxable years.*

14           “(ii) *DEATH OF DISTRIBUTEE.—*

15           “(I) *IN GENERAL.—If the individ-*  
16           *ual required to include amounts in*  
17           *gross income under such subparagraph*  
18           *dies before all of such amounts are in-*  
19           *cluded, all remaining amounts shall be*  
20           *included in gross income for the tax-*  
21           *able year which includes the date of*  
22           *death.*

23           “(II) *SPECIAL RULE FOR SURVIV-*  
24           *ING SPOUSE.—If the spouse of the indi-*  
25           *vidual described in subclause (I) ac-*

quires the individual's entire interest in any Roth IRA to which such qualified rollover contribution is properly allocable, the spouse may elect to treat the remaining amounts described in subclause (I) as includible in the spouse's gross income in the taxable years of the spouse ending with or within the taxable years of such individual in which such amounts would otherwise have been includible. Any such election may not be made or changed after the due date for the spouse's taxable year which includes the date of death.

“(G) SPECIAL RULE FOR APPLYING SECTION

72.—

“(i) IN GENERAL.—If—

“(I) any portion of a distribution from a Roth IRA is properly allocable to a qualified rollover contribution described in this paragraph, and

“(II) such distribution is made within the 5-taxable year period begin-

1                   ning with the taxable year in which  
 2                   such contribution was made,  
 3                   then section 72(t) shall be applied as if such  
 4                   portion were includible in gross income.

5                   “(ii) *LIMITATION.*—Clause (i) shall  
 6                   apply only to the extent of the amount of  
 7                   the qualified rollover contribution includible  
 8                   in gross income under subparagraph  
 9                   (A)(i).”.

10                   (5)(A) Section 408A(d)(4) of the 1986 Code is  
 11                   amended to read as follows:

12                   “(4) *AGGREGATION AND ORDERING RULES.*—

13                   “(A) *AGGREGATION RULES.*—Section  
 14                   408(d)(2) shall be applied separately with re-  
 15                   spect to Roth IRAs and other individual retire-  
 16                   ment plans.

17                   “(B) *ORDERING RULES.*—For purposes of  
 18                   applying this section and section 72 to any dis-  
 19                   tribution from a Roth IRA, such distribution  
 20                   shall be treated as made—

21                   “(i) from contributions to the extent  
 22                   that the amount of such distribution, when  
 23                   added to all previous distributions from the  
 24                   Roth IRA, does not exceed the aggregate  
 25                   contributions to the Roth IRA, and

1                   “(ii) from such contributions in the  
2                   following order:

3                   “(I) Contributions other than  
4                   qualified rollover contributions to  
5                   which paragraph (3) applies.

6                   “(II) Qualified rollover contribu-  
7                   tions to which paragraph (3) applies  
8                   on a first-in, first-out basis.

9                   Any distribution allocated to a qualified rollover  
10                  contribution under clause (ii)(II) shall be allo-  
11                  cated first to the portion of such contribution re-  
12                  quired to be included in gross income.”.

13                (B) Section 408A(d)(1) of the 1986 Code is  
14                amended to read as follows:

15                “(1) EXCLUSION.—Any qualified distribution  
16                from a Roth IRA shall not be includible in gross in-  
17                come.”.

18                (6)(A) Section 408A(d) of the 1986 Code (relat-  
19                ing to distribution rules) is amended by adding at the  
20                end the following:

21                “(6) TAXPAYER MAY MAKE ADJUSTMENTS BE-  
22                FORE DUE DATE.—

23                “(A) IN GENERAL.—Except as provided by  
24                the Secretary, if, on or before the due date for  
25                any taxable year, a taxpayer transfers in a

1 *trustee-to-trustee transfer any contribution to an*  
 2 *individual retirement plan made during such*  
 3 *taxable year from such plan to any other indi-*  
 4 *vidual retirement plan, then, for purposes of this*  
 5 *chapter, such contribution shall be treated as*  
 6 *having been made to the transferee plan (and not*  
 7 *the transferor plan).*

8 “(B) *SPECIAL RULES.*—

9 “(i) *TRANSFER OF EARNINGS.*—Sub-  
 10 *paragraph (A) shall not apply to the trans-*  
 11 *fer of any contribution unless such transfer*  
 12 *is accompanied by any net income allocable*  
 13 *to such contribution.*

14 “(ii) *NO DEDUCTION.*—Subparagraph  
 15 *(A) shall apply to the transfer of any con-*  
 16 *tribution only to the extent no deduction*  
 17 *was allowed with respect to the contribution*  
 18 *to the transferor plan.”.*

19 *(B) Section 408A(d)(3) of the 1986 Code, as*  
 20 *amended by this subsection, is amended by striking*  
 21 *subparagraph (D) and by redesignating subpara-*  
 22 *graphs (E), (F), and (G) as subparagraphs (D), (E),*  
 23 *and (F), respectively.*

1           (7) *Section 408A(d) of the 1986 Code, as amend-*  
2           *ed by paragraph (6), is amended by adding at the*  
3           *end the following new paragraph:*

4           “(7) *DUE DATE.*—*For purposes of this sub-*  
5           *section, the due date for any taxable year is the date*  
6           *prescribed by law (including extensions of time) for*  
7           *filing the taxpayer’s return for such taxable year.”.*

8           (8)(A) *Section 4973(f) of the 1986 Code is*  
9           *amended—*

10           (i) *by striking “such accounts” in para-*  
11           *graph (1)(A) and inserting “Roth IRAs”, and*

12           (ii) *by striking “to the accounts” in para-*  
13           *graph (2)(B) and inserting “by the individual to*  
14           *all individual retirement plans”.*

15           (B) *Section 4973(b) of the 1986 Code is amend-*  
16           *ed—*

17           (i) *by inserting “a contribution to a Roth*  
18           *IRA or” after “other than” in paragraph (1)(A),*  
19           *and*

20           (ii) *by inserting “(including the amount*  
21           *contributed to a Roth IRA)” after “annuities” in*  
22           *paragraph (2)(C).*

23           (C) *Section 302(b) of the 1997 Act is amended*  
24           *by striking “Section 4973(b)” and inserting “Section*  
25           *4973”.*

1           (9) *Section 408A of the 1986 Code is amended*  
2           *by adding at the end the following new subsection:*

3           “(f) *INDIVIDUAL RETIREMENT PLAN.—For purposes of*  
4           *this section—*

5           “(1) *a simplified employee pension or a simple*  
6           *retirement account may not be designated as a Roth*  
7           *IRA, and*

8           “(2) *contributions to any such pension or ac-*  
9           *count shall not be taken into account for purposes of*  
10           *subsection (c)(2)(B).”.*

11          (c) *AMENDMENTS RELATED TO SECTION 303 OF 1997*  
12          *ACT.—*

13          (1) *Section 72(t)(8)(E) of the 1986 Code is*  
14          *amended—*

15                  (A) *by striking “120 days” and inserting*  
16                  *“120th day”, and*

17                  (B) *by striking “60 days” and inserting*  
18                  *“60th day”.*

19          (2)(A) *Section 402(c)(4) of the 1986 Code is*  
20          *amended by striking “and” at the end of subpara-*  
21          *graph (A), by striking the period at the end of sub-*  
22          *paragraph (B) and inserting “, and”, by inserting at*  
23          *the end the following new subparagraph:*

24                  “(C) *any hardship distribution described in*  
25                  *section 401(k)(2)(B)(i)(IV).”.*



1           (B) Section 403(b)(8)(B) of the 1986 Code is  
 2           amended by inserting “(including paragraph (4)(C)  
 3           thereof)” after “section 402(c)”.

4           (C) The amendments made by this paragraph  
 5           shall apply to distributions after December 31, 1998.

6           (d) AMENDMENTS RELATED TO SECTION 311 OF 1997  
 7           ACT.—

8           (1) Subsection (h) of section 1 of the 1986 Code  
 9           (relating to maximum capital gains rate) is amended  
 10          to read as follows:

11          “(h) MAXIMUM CAPITAL GAINS RATE.—

12                 “(1) IN GENERAL.—If a taxpayer has a net cap-  
 13                 ital gain for any taxable year, the tax imposed by  
 14                 this section for such taxable year shall not exceed the  
 15                 sum of—

16                         “(A) a tax computed at the rates and in the  
 17                         same manner as if this subsection had not been  
 18                         enacted on the greater of—

19                                 “(i) taxable income reduced by the net  
 20                                 capital gain, or

21                                 “(ii) the lesser of—

22   “(I) the amount of taxable income  
 23   taxed at a rate below 28 percent, or

24   “(II) taxable income reduced by  
 25   the adjusted net capital gain,

1           “(B) 10 percent of so much of the adjusted  
2           net capital gain (or, if less, taxable income) as  
3           does not exceed the excess (if any) of—

4                   “(i) the amount of taxable income  
5                   which would (without regard to this para-  
6                   graph) be taxed at a rate below 28 percent,  
7                   over

8                   “(ii) the taxable income reduced by the  
9                   adjusted net capital gain,

10           “(C) 20 percent of the adjusted net capital  
11           gain (or, if less, taxable income) in excess of the  
12           amount on which a tax is determined under sub-  
13           paragraph (B),

14           “(D) 25 percent of the excess (if any) of—

15                   “(i) the unrecaptured section 1250  
16                   gain (or, if less, the net capital gain), over

17                   “(ii) the excess (if any) of—

18                   “(I) the sum of the amount on  
19                   which tax is determined under sub-  
20                   paragraph (A) plus the net capital  
21                   gain, over

22                   “(II) taxable income, and

23           “(E) 28 percent of the amount of taxable in-  
24           come in excess of the sum of the amounts on

1           *which tax is determined under the preceding sub-*  
2           *paragraphs of this paragraph.*

3           “(2) *REDUCED CAPITAL GAIN RATES FOR QUALI-*  
4           *FIED 5-YEAR GAIN.—*

5                   “(A) *REDUCTION IN 10-PERCENT RATE.—In*  
6           *the case of any taxable year beginning after De-*  
7           *cember 31, 2000, the rate under paragraph*  
8           *(1)(B) shall be 8 percent with respect to so much*  
9           *of the amount to which the 10-percent rate would*  
10          *otherwise apply as does not exceed qualified 5-*  
11          *year gain, and 10 percent with respect to the re-*  
12          *mainder of such amount.*

13                   “(B) *REDUCTION IN 20-PERCENT RATE.—*  
14          *The rate under paragraph (1)(C) shall be 18 per-*  
15          *cent with respect to so much of the amount to*  
16          *which the 20-percent rate would otherwise apply*  
17          *as does not exceed the lesser of—*

18                           “(i) *the excess of qualified 5-year gain*  
19                           *over the amount of such gain taken into ac-*  
20                           *count under subparagraph (A) of this para-*  
21                           *graph, or*

22                           “(ii) *the amount of qualified 5-year*  
23                           *gain (determined by taking into account*  
24                           *only property the holding period for which*  
25                           *begins after December 31, 2000),*

1        *and 20 percent with respect to the remainder of*  
2        *such amount. For purposes of determining under*  
3        *the preceding sentence whether the holding period*  
4        *of property begins after December 31, 2000, the*  
5        *holding period of property acquired pursuant to*  
6        *the exercise of an option (or other right or obli-*  
7        *gation to acquire property) shall include the pe-*  
8        *riod such option (or other right or obligation)*  
9        *was held.*

10        *“(3) NET CAPITAL GAIN TAKEN INTO ACCOUNT AS*  
11        *INVESTMENT INCOME.—For purposes of this sub-*  
12        *section, the net capital gain for any taxable year*  
13        *shall be reduced (but not below zero) by the amount*  
14        *which the taxpayer takes into account as investment*  
15        *income under section 163(d)(4)(B)(iii).*

16        *“(4) ADJUSTED NET CAPITAL GAIN.—For pur-*  
17        *poses of this subsection, the term ‘adjusted net capital*  
18        *gain’ means net capital gain reduced (but not below*  
19        *zero) by the sum of—*

20                *“(A) unrecaptured section 1250 gain, and*

21                *“(B) 28 percent rate gain.*

22        *“(5) 28 PERCENT RATE GAIN.—For purposes of*  
23        *this subsection—*

24                *“(A) IN GENERAL.—The term ‘28 percent*  
25        *rate gain’ means the excess (if any) of—*

1 “(i) the sum of—

2 “(I) the aggregate long-term cap-  
3 ital gain from property held for more  
4 than 1 year but not more than 18  
5 months,

6 “(II) collectibles gain, and

7 “(III) section 1202 gain, over

8 “(ii) the sum of—

9 “(I) the aggregate long-term cap-  
10 ital loss (not described in subclause  
11 (IV)) from property referred to in  
12 clause (i)(I),

13 “(II) collectibles loss,

14 “(III) the net short-term capital  
15 loss, and

16 “(IV) the amount of long-term  
17 capital loss carried under section  
18 1212(b)(1)(B) to the taxable year.

19 “(B) SPECIAL RULES.—

20 “(i) SHORT SALE GAINS AND HOLDING  
21 PERIODS.—Rules similar to the rules of sec-  
22 tion 1233(b) shall apply where the substan-  
23 tially identical property has been held more  
24 than 1 year but not more than 18 months;  
25 except that, for purposes of such rules—

1                   “(I) section 1233(b)(1) shall be  
 2                   applied by substituting ‘18 months’ for  
 3                   ‘1 year’ each place it appears, and

4                   “(II) the holding period of such  
 5                   property shall be treated as being 1  
 6                   year on the day before the earlier of the  
 7                   date of the closing of the short sale or  
 8                   the date such property is disposed of.

9                   “(ii) LONG-TERM LOSSES.—Section  
 10                  1233(d) shall be applied separately by sub-  
 11                  stituting ‘18 months’ for ‘1 year’ each place  
 12                  it appears.

13                  “(iii) OPTIONS.—A rule similar to the  
 14                  rule of section 1092(f) shall apply where the  
 15                  stock was held for more than 18 months.

16                  “(iv) SECTION 1256 CONTRACTS.—  
 17                  Amounts treated as long-term capital gain  
 18                  or loss under section 1256(a)(3) shall be  
 19                  treated as attributable to property held for  
 20                  more than 18 months.

21                  “(6) COLLECTIBLES GAIN AND LOSS.—For pur-  
 22                  poses of this subsection—

23                         “(A) IN GENERAL.—The terms ‘collectibles  
 24                         gain’ and ‘collectibles loss’ mean gain or loss (re-  
 25                         spectively) from the sale or exchange of a collect-

1        *ible (as defined in section 408(m) without regard*  
 2        *to paragraph (3) thereof) which is a capital asset*  
 3        *held for more than 18 months but only to the ex-*  
 4        *tent such gain is taken into account in comput-*  
 5        *ing gross income and such loss is taken into ac-*  
 6        *count in computing taxable income.*

7                *“(B) PARTNERSHIPS, ETC.—For purposes of*  
 8        *subparagraph (A), any gain from the sale of an*  
 9        *interest in a partnership, S corporation, or trust*  
 10        *which is attributable to unrealized appreciation*  
 11        *in the value of collectibles shall be treated as*  
 12        *gain from the sale or exchange of a collectible.*  
 13        *Rules similar to the rules of section 751 shall*  
 14        *apply for purposes of the preceding sentence.*

15                *“(7) UNRECAPTURED SECTION 1250 GAIN.—For*  
 16        *purposes of this subsection—*

17                *“(A) IN GENERAL.—The term ‘unrecaptured*  
 18        *section 1250 gain’ means the excess (if any) of—*

19                *“(i) the amount of long-term capital*  
 20        *gain (not otherwise treated as ordinary in-*  
 21        *come) which would be treated as ordinary*  
 22        *income if—*

23                *“(I) section 1250(b)(1) included*  
 24        *all depreciation and the applicable*

1                   percentage under section 1250(a) were  
2                   100 percent, and

3                   “(II) only gain from property  
4                   held for more than 18 months were  
5                   taken into account, over

6                   “(ii) the excess (if any) of—

7                   “(I) the amount described in  
8                   paragraph (5)(A)(ii), over

9                   “(II) the amount described in  
10                  paragraph (5)(A)(i).

11                  “(B) *LIMITATION WITH RESPECT TO SEC-*  
12                  *TION 1231 PROPERTY.—The amount described in*  
13                  *subparagraph (A)(i) from sales, exchanges, and*  
14                  *conversions described in section 1231(a)(3)(A)*  
15                  *for any taxable year shall not exceed the net sec-*  
16                  *tion 1231 gain (as defined in section 1231(c)(3))*  
17                  *for such year.*

18                  “(8) *SECTION 1202 GAIN.—For purposes of this*  
19                  *subsection, the term ‘section 1202 gain’ means an*  
20                  *amount equal to the gain excluded from gross income*  
21                  *under section 1202(a).*

22                  “(9) *QUALIFIED 5-YEAR GAIN.—For purposes of*  
23                  *this subsection, the term ‘qualified 5-year gain’ means*  
24                  *the aggregate long-term capital gain from property*  
25                  *held for more than 5 years. The determination under*



1     *the preceding sentence shall be made without regard*  
 2     *to collectibles gain, gain described in paragraph*  
 3     *(7)(A)(i), and section 1202 gain.*

4             “(10) *COORDINATION WITH RECAPTURE OF NET*  
 5     *ORDINARY LOSSES UNDER SECTION 1231.—If any*  
 6     *amount is treated as ordinary income under section*  
 7     *1231(c), such amount shall be allocated among the*  
 8     *separate categories of net section 1231 gain (as de-*  
 9     *fin**ed in section 1231(c)(3)) in such manner as the*  
 10    *Secretary may by forms or regulations prescribe.*

11            “(11) *REGULATIONS.—The Secretary may pre-*  
 12    *scribe such regulations as are appropriate (including*  
 13    *regulations requiring reporting) to apply this sub-*  
 14    *section in the case of sales and exchanges by pass-thru*  
 15    *entities and of interests in such entities.*

16            “(12) *PASS-THRU ENTITY DEFINED.—For pur-*  
 17    *poses of this subsection, the term ‘pass-thru entity’*  
 18    *means—*

19                   “(A) *a regulated investment company,*

20                   “(B) *a real estate investment trust,*

21                   “(C) *an S corporation,*

22                   “(D) *a partnership,*

23                   “(E) *an estate or trust,*

24                   “(F) *a common trust fund,*

1           “(G) a foreign investment company which  
 2           is described in section 1246(b)(1) and for which  
 3           an election is in effect under section 1247, and

4           “(H) a qualified electing fund (as defined  
 5           in section 1295).

6           “(13) SPECIAL RULES FOR PERIODS DURING  
 7           1997.—

8           “(A) DETERMINATION OF 28 PERCENT RATE  
 9           GAIN.—In applying paragraph (5)—

10           “(i) the amount determined under sub-  
 11           clause (I) of paragraph (5)(A)(i) shall in-  
 12           clude long-term capital gain (not otherwise  
 13           described in paragraph (5)(A)(i)) which is  
 14           properly taken into account for the portion  
 15           of the taxable year before May 7, 1997,

16           “(ii) the amounts determined under  
 17           subclause (I) of paragraph (5)(A)(ii) shall  
 18           include long-term capital loss (not otherwise  
 19           described in paragraph (5)(A)(ii)) which is  
 20           properly taken into account for the portion  
 21           of the taxable year before May 7, 1997, and

22           “(iii) clauses (i)(I) and (ii)(I) of para-  
 23           graph (5)(A) shall be applied by not taking  
 24           into account any gain and loss on property  
 25           held for more than 1 year but not more

1           *than 18 months which is properly taken*  
 2           *into account for the portion of the taxable*  
 3           *year after May 6, 1997, and before July 29,*  
 4           *1997.*

5           “(B) *OTHER SPECIAL RULES.—*

6                       “(i)           *DETERMINATION           OF*  
 7           *UNRECAPTURED SECTION 1250 GAIN NOT TO*  
 8           *INCLUDE PRE-MAY 7, 1997 GAIN.—The*  
 9           *amount determined under paragraph*  
 10          *(7)(A)(i) shall not include gain properly*  
 11          *taken into account for the portion of the*  
 12          *taxable year before May 7, 1997.*

13                   “(ii) *OTHER TRANSITIONAL RULES FOR*  
 14          *18-MONTH HOLDING PERIOD.—Paragraphs*  
 15          *(6)(A) and (7)(A)(i)(II) shall be applied by*  
 16          *substituting ‘1 year’ for ‘18 months’ with*  
 17          *respect to gain properly taken into account*  
 18          *for the portion of the taxable year after May*  
 19          *6, 1997, and before July 29, 1997.*

20                   “(C) *SPECIAL RULES FOR PASS-THRU ENTI-*  
 21          *TIES.—In applying this paragraph with respect*  
 22          *to any pass-thru entity, the determination of*  
 23          *when gains and loss are properly taken into ac-*  
 24          *count shall be made at the entity level.”.*

(2) Paragraph (3) of section 55(b) of the 1986 Code is amended to read as follows:

“(3) *MAXIMUM RATE OF TAX ON NET CAPITAL GAIN OF NONCORPORATE TAXPAYERS.*—The amount determined under the first sentence of paragraph (1)(A)(i) shall not exceed the sum of—

“(A) the amount determined under such first sentence computed at the rates and in the same manner as if this paragraph had not been enacted on the taxable excess reduced by the lesser of—

“(i) the net capital gain, or

“(ii) the sum of—

“(I) the adjusted net capital gain,  
plus

“(II) the unrecaptured section  
1250 gain, plus

“(B) 10 percent of so much of the adjusted net capital gain (or, if less, taxable excess) as does not exceed the amount on which a tax is determined under section 1(h)(1)(B), plus

“(C) 20 percent of the adjusted net capital gain (or, if less, taxable excess) in excess of the amount on which tax is determined under subparagraph (B), plus

1           “(D) 25 percent of the amount of taxable ex-  
2           cess in excess of the sum of the amounts on which  
3           tax is determined under the preceding subpara-  
4           graphs of this paragraph.

5           *In the case of taxable years beginning after December*  
6           *31, 2000, rules similar to the rules of section 1(h)(2)*  
7           *shall apply for purposes of subparagraphs (B) and*  
8           *(C). Terms used in this paragraph which are also*  
9           *used in section 1(h) shall have the respective mean-*  
10          *ings given such terms by section 1(h) but computed*  
11          *with the adjustments under this part.”.*

12          (3) Section 57(a)(7) of the 1986 Code is amended  
13          by adding at the end the following new sentence: “*In*  
14          *the case of stock the holding period of which begins*  
15          *after December 31, 2000 (determined with the appli-*  
16          *cation of the last sentence of section 1(h)(2)(B)), the*  
17          *preceding sentence shall be applied by substituting ‘28*  
18          *percent’ for ‘42 percent’.*”.

19          (4) Paragraphs (11) and (12) of section 1223,  
20          and section 1235(a), of the 1986 Code are each  
21          amended by striking “1 year” each place it appears  
22          and inserting “18 months”.

23          (e) AMENDMENTS RELATED TO SECTION 312 OF 1997  
24          ACT.—

1           (1) Paragraph (2) of section 121(b) of the 1986  
2       Code is amended to read as follows:

3           “(2) *SPECIAL RULES FOR JOINT RETURNS.*—In  
4       the case of a husband and wife who make a joint re-  
5       turn for the taxable year of the sale or exchange of the  
6       property—

7           “(A) *\$500,000 LIMITATION FOR CERTAIN*  
8       *JOINT RETURNS.*—Paragraph (1) shall be ap-  
9       plied by substituting ‘\$500,000’ for ‘\$250,000’  
10      if—

11           “(i) either spouse meets the ownership  
12       requirements of subsection (a) with respect  
13       to such property,

14           “(ii) both spouses meet the use require-  
15       ments of subsection (a) with respect to such  
16       property, and

17           “(iii) neither spouse is ineligible for  
18       the benefits of subsection (a) with respect to  
19       such property by reason of paragraph (3).

20           “(B) *OTHER JOINT RETURNS.*—If such  
21       spouses do not meet the requirements of subpara-  
22       graph (A), the limitation under paragraph (1)  
23       shall be the sum of the limitations under para-  
24       graph (1) to which each spouse would be entitled  
25       if such spouses had not been married. For pur-

1       poses of the preceding sentence, each spouse shall  
2       be treated as owning the property during the pe-  
3       riod that either spouse owned the property.”.

4       (2) Section 121(c)(1) of the 1986 Code is amend-  
5       ed to read as follows:

6           “(1) *IN GENERAL.*—In the case of a sale or ex-  
7       change to which this subsection applies, the ownership  
8       and use requirements of subsection (a), and subsection  
9       (b)(3), shall not apply; but the dollar limitation  
10      under paragraph (1) or (2) of subsection (b), which-  
11      ever is applicable, shall be equal to—

12           “(A) the amount which bears the same ratio  
13      to such limitation (determined without regard to  
14      this paragraph) as

15           “(B)(i) the shorter of—

16                   “(I) the aggregate periods, during the  
17                   5-year period ending on the date of such  
18                   sale or exchange, such property has been  
19                   owned and used by the taxpayer as the tax-  
20                   payer’s principal residence, or

21                   “(II) the period after the date of the  
22                   most recent prior sale or exchange by the  
23                   taxpayer to which subsection (a) applied  
24                   and before the date of such sale or exchange,  
25                   bears to

1                   “(ii) 2 years.”.

2                   (3) *Section 312(d)(2) of the 1997 Act (relating to*  
 3                   *sales before date of the enactment) is amended by in-*  
 4                   *serting “on or” before “before” each place it appears*  
 5                   *in the text and heading.*

6                   (f) *AMENDMENT RELATED TO SECTION 313 OF 1997*  
 7                   *ACT.—Section 1045 of the 1986 Code is amended by adding*  
 8                   *at the end the following new subsection:*

9                   “(c) *LIMITATION ON APPLICATION TO PARTNERSHIPS*  
 10                   *AND S CORPORATIONS.—Subsection (a) shall apply to a*  
 11                   *partnership or S corporation for a taxable year only if at*  
 12                   *all times during such taxable year all of the partners in*  
 13                   *the partnership, or all of the shareholders of the S corpora-*  
 14                   *tion, are natural persons, estates, or trusts (other than*  
 15                   *trusts having any beneficiary which is a C corporation).”..*

16                   **SEC. 6006. AMENDMENT RELATED TO TITLE IV OF 1997 ACT.**

17                   (a) *AMENDMENT RELATED TO SECTION 401 OF 1997*  
 18                   *ACT.—Paragraph (1) of section 55(e) of the 1986 Code is*  
 19                   *amended to read as follows:*

20                   “(1) *IN GENERAL.—*

21                   “(A) *\$7,500,000 GROSS RECEIPTS TEST.—*  
 22                   *The tentative minimum tax of a corporation*  
 23                   *shall be zero for any taxable year if the corpora-*  
 24                   *tion’s average annual gross receipts for all 3-tax-*  
 25                   *able-year periods ending before such taxable year*



1        *does not exceed \$7,500,000. For purposes of the*  
 2        *preceding sentence, only taxable years beginning*  
 3        *after December 31, 1993, shall be taken into ac-*  
 4        *count.*

5                *“(B) \$5,000,000 GROSS RECEIPTS TEST FOR*  
 6        *FIRST 3-YEAR PERIOD.—Subparagraph (A) shall*  
 7        *be applied by substituting ‘\$5,000,000’ for*  
 8        *‘\$7,500,000’ for the first 3-taxable-year period*  
 9        *(or portion thereof) of the corporation which is*  
 10        *taken into account under subparagraph (A).*

11                *“(C) FIRST TAXABLE YEAR CORPORATION IN*  
 12        *EXISTENCE.—If such taxable year is the first*  
 13        *taxable year that such corporation is in exist-*  
 14        *ence, the tentative minimum tax of such corpora-*  
 15        *tion for such year shall be zero.*

16                *“(D) SPECIAL RULES.—For purposes of this*  
 17        *paragraph, the rules of paragraphs (2) and (3)*  
 18        *of section 448(c) shall apply.”.*

19        *(b) AMENDMENT RELATED TO SECTION 402 OF 1997*  
 20        *ACT.—Subsection (c) of section 168 of the 1986 Code is*  
 21        *amended—*

22                *(1) by striking paragraph (2), and*

23                *(2) by striking the portion of such subsection*  
 24        *preceding the table in paragraph (1) and inserting*  
 25        *the following:*

1       “(c) *APPLICABLE RECOVERY PERIOD.*—For purposes  
 2 of this section, the applicable recovery period shall be deter-  
 3 mined in accordance with the following table:”.

4 **SEC. 6007. AMENDMENTS RELATED TO TITLE V OF 1997 ACT.**

5       (a) *AMENDMENTS RELATED TO SECTION 501 OF 1997*  
 6 *ACT.*—

7           (1) Paragraph (2) of section 2001(c) of the 1986  
 8 Code is amended by striking “\$10,000,000” and all  
 9 that follows and inserting “\$10,000,000. The amount  
 10 of the increase under the preceding sentence shall not  
 11 exceed the sum of the applicable credit amount under  
 12 section 2010(c) (determined without regard to section  
 13 2057(a)(3), and \$359,200.”.

14           (2) Subsection (c) of section 2631 of the 1986  
 15 Code is amended to read as follows:

16       “(c) *INFLATION ADJUSTMENT.*—

17           “(1) *IN GENERAL.*—In the case of any calendar  
 18 year after 1998, the \$1,000,000 amount contained in  
 19 subsection (a) shall be increased by an amount equal  
 20 to—

21                   “(A) \$1,000,000, multiplied by

22                   “(B) the cost-of-living adjustment deter-  
 23 mined under section 1(f)(3) for such calendar  
 24 year by substituting ‘calendar year 1997’ for

1           ‘calendar year 1992’ in subparagraph (B) there-  
2           of.

3           *If any amount as adjusted under the preceding sen-*  
4           *tence is not a multiple of \$10,000, such amount shall*  
5           *be rounded to the next lowest multiple of \$10,000.*

6           “(2) *ALLOCATION OF INCREASE.*—Any increase  
7           under paragraph (1) for any calendar year shall  
8           apply only to generation-skipping transfers made  
9           during or after such calendar year; except that no  
10          such increase for calendar years after the calendar  
11          year in which the transferor dies shall apply to trans-  
12          fers by such transferor.”.

13          (3) *Subsection (f) of section 501 of the 1997 Act*  
14          *is amended by inserting “(other than the amendment*  
15          *made by subsection (d))” after “this section”.*

16          (b) *AMENDMENTS RELATED TO SECTION 502 OF 1997*  
17          *ACT.*—

18               (1)(A) *Section 2033A of the 1986 Code is hereby*  
19               *moved to the end of part IV of subchapter A of chap-*  
20               *ter 11 of the 1986 Code and redesignated as section*  
21               *2057.*

22               (B) *So much of such section 2057 (as so redesign-*  
23               *ated) as precedes subsection (b) thereof is amended*  
24               *to read as follows:*

1 **“SEC. 2057. FAMILY-OWNED BUSINESS INTERESTS.**

2 “(a) *GENERAL RULE.*—

3 “(1) *ALLOWANCE OF DEDUCTION.*—*For purposes*  
4 *of the tax imposed by section 2001, in the case of an*  
5 *estate of a decedent to which this section applies, the*  
6 *value of the taxable estate shall be determined by de-*  
7 *ducting from the value of the gross estate the adjusted*  
8 *value of the qualified family-owned business interests*  
9 *of the decedent which are described in subsection*  
10 *(b)(2).*

11 “(2) *MAXIMUM DEDUCTION.*—*The deduction al-*  
12 *lowed by this section shall not exceed \$675,000.*

13 “(3) *COORDINATION WITH UNIFIED CREDIT.*—

14 “(A) *IN GENERAL.*—*Except as provided in*  
15 *subparagraph (B), if this section applies to an*  
16 *estate, the applicable exclusion amount under*  
17 *section 2010 shall be \$625,000.*

18 “(B) *INCREASE IN UNIFIED CREDIT IF DE-*  
19 *DUCTION IS LESS THAN \$675,000.*—*If the deduc-*  
20 *tion allowed by this section is less than*  
21 *\$675,000, the amount of the applicable exclusion*  
22 *amount under section 2010 shall be increased*  
23 *(but not above the amount which would apply to*  
24 *the estate without regard to this section) by the*  
25 *excess of \$675,000 over the amount of the deduc-*  
26 *tion allowed.”.*

1           (C) Subparagraph (A) of section 2057(b)(2) of  
 2     the 1986 Code (as so redesignated) is amended by  
 3     striking “(without regard to this section)”.

4           (D) Subsection (c) of section 2057 of the 1986  
 5     Code (as so redesignated) is amended by striking  
 6     “(determined without regard to this section)”.

7           (E) The table of sections for part III of sub-  
 8     chapter A of chapter 11 of the 1986 Code is amended  
 9     by striking the item relating to section 2033A.

10          (F) The table of sections for part IV of such sub-  
 11     chapter is amended by adding at the end the follow-  
 12     ing new item:

          “Sec. 2057. Family-owned business interests.”.

13          (2) Section 2057(b)(3) of the 1986 Code (as so  
 14     redesignated) is amended to read as follows:

15           “(3) *INCLUDIBLE GIFTS OF INTERESTS.*—The  
 16     amount of the gifts of qualified family-owned business  
 17     interests determined under this paragraph is the sum  
 18     of—

19           “(A) the amount of such gifts from the dece-  
 20     dent to members of the decedent’s family taken  
 21     into account under section 2001(b)(1)(B), plus

22           “(B) the amount of such gifts otherwise ex-  
 23     cluded under section 2503(b),

24     to the extent such interests are continuously held by  
 25     members of such family (other than the decedent’s

1 spouse) between the date of the gift and the date of  
 2 the decedent's death.”.

3 (3)(A) Section 2057(e)(2)(C) of the 1986 Code  
 4 (as so redesignated) is amended by striking “(as de-  
 5 fined in section 543(a))” and inserting “(as defined  
 6 in section 543(a) without regard to paragraph (2)(B)  
 7 thereof) if such trade or business were a corporation”.

8 (B) Clause (ii) of section 2057(e)(2)(D) of the  
 9 1986 Code (as so redesignated) is amended by striking  
 10 “income of which is described in section 543(a) or”  
 11 and inserting “personal holding company income (as  
 12 defined in subparagraph (C)) or income described”.

13 (4) Paragraph (2) of section 2057(f) of the 1986  
 14 Code (as so redesignated) is amended—

15 (A) by striking “(as determined under rules  
 16 similar to the rules of section 2032A(c)(2)(B))”,  
 17 and

18 (B) by adding at the end the following new  
 19 subparagraph:

20 “(C) ADJUSTED TAX DIFFERENCE.—For  
 21 purposes of subparagraph (A)—

22 “(i) IN GENERAL.—The adjusted tax  
 23 difference attributable to a qualified family-  
 24 owned business interest is the amount which  
 25 bears the same ratio to the adjusted tax dif-

ference with respect to the estate (determined under clause (ii)) as the value of such interest bears to the value of all qualified family-owned business interests described in subsection (b)(2).

“(ii) *ADJUSTED TAX DIFFERENCE WITH RESPECT TO THE ESTATE.*—For purposes of clause (i), the term ‘adjusted tax difference with respect to the estate’ means the excess of what would have been the estate tax liability but for the election under this section over the estate tax liability. For purposes of this clause, the term ‘estate tax liability’ means the tax imposed by section 2001 reduced by the credits allowable against such tax.”.

(5)(A) Paragraph (1) of section 2057(e) of the 1986 Code (as so redesignated) is amended by adding at the end the following:

“For purposes of the preceding sentence, a decedent shall be treated as engaged in a trade or business if any member of the decedent’s family is engaged in such trade or business.”.

1           (B) Subsection (f) of section 2057 of the 1986  
2       Code (as so redesignated) is amended by adding at  
3       the end the following new paragraph:

4           “(3) *USE IN TRADE OR BUSINESS BY FAMILY*  
5       *MEMBERS.*—A qualified heir shall not be treated as  
6       disposing of an interest described in subsection  
7       (e)(1)(A) by reason of ceasing to be engaged in a  
8       trade or business so long as the property to which  
9       such interest relates is used in a trade or business by  
10      any member of such individual’s family.”.

11          (6) Paragraph (1) of section 2057(g) of the 1986  
12      Code (as so redesignated) is amended by striking “or  
13      (M)”.

14          (7) Paragraph (3) of section 2057(i) of the 1986  
15      Code (as so redesignated) is amended by redesignat-  
16      ing subparagraphs (L), (M), and (N) as subpara-  
17      graphs (N), (O), and (P), respectively, and by insert-  
18      ing after subparagraph (K) the following new sub-  
19      paragraphs:

20           “(L) Section 2032A(g) (relating to applica-  
21      tion to interests in partnerships, corporations,  
22      and trusts).

23           “(M) Subsections (h) and (i) of section  
24      2032A.”.



1       (c) *AMENDMENTS RELATED TO SECTION 503 OF THE*  
2 *1997 ACT.—*

3           (1) *Clause (iii) of section 6166(b)(7)(A) of the*  
4 *1986 Code is amended to read as follows:*

5                   “(iii) *for purposes of applying section*  
6 *6601(j), the 2-percent portion (as defined in*  
7 *such section) shall be treated as being*  
8 *zero.”.*

9           (2) *Clause (iii) of section 6166(b)(8)(A) of the*  
10 *1986 Code is amended to read as follows:*

11                   “(iii) *2-PERCENT INTEREST RATE NOT*  
12 *TO APPLY.—For purposes of applying sec-*  
13 *tion 6601(j), the 2-percent portion (as de-*  
14 *fin ed in such section) shall be treated as*  
15 *being zero.”.*

16       (d) *AMENDMENT RELATED TO SECTION 505 OF THE*  
17 *1997 ACT.—Paragraphs (1) and (2) of section 7479(a) of*  
18 *the 1986 Code are each amended by striking “an estate,”*  
19 *and inserting “an estate (or with respect to any property*  
20 *included therein),”.*

21       (e) *AMENDMENTS RELATED TO SECTION 506 OF THE*  
22 *1997 ACT.—*

23           (1) *Paragraph (1) of section 506(e) of the 1997*  
24 *Act is amended by striking “and (c)” and inserting*  
25 *“, (c), and (d)”.*

1           (2)(A) Paragraph (9) of section 6501(c) of the  
2           1986 Code is amended by striking the last sentence.

3           (B) Subsection (f) of section 2001 of the 1986  
4           Code is amended to read as follows:

5           “(f) VALUATION OF GIFTS.—

6           “(1) IN GENERAL—If the time has expired under  
7           section 6501 within which a tax may be assessed  
8           under chapter 12 (or under corresponding provisions  
9           of prior laws) on—

10           “(A) the transfer of property by gift made  
11           during a preceding calendar period (as defined  
12           in section 2502(b)), or

13           “(B) an increase in taxable gifts required  
14           under section 2701(d),  
15           the value thereof shall, for purposes of computing the  
16           tax under this chapter, be the value as finally deter-  
17           mined for purposes of chapter 12.

18           “(2) FINAL DETERMINATION.—For purposes of  
19           paragraph (1), a value shall be treated as finally de-  
20           termined for purposes of chapter 12 if—

21           “(A) the value is shown on a return under  
22           such chapter and such value is not contested by  
23           the Secretary before the expiration of the time re-  
24           ferred to in paragraph (1) with respect to such  
25           return,

1           “(B) in a case not described in subpara-  
 2           graph (A), the value is specified by the Secretary  
 3           and such value is not timely contested by the  
 4           taxpayer, or

5           “(C) the value is determined by a court or  
 6           pursuant to a settlement agreement with the Sec-  
 7           retary.”.

8           (B) Subsection (c) of section 2504 of the 1986  
 9           Code is amended to read as follows:

10          “(c) VALUATION OF GIFTS.—If the time has expired  
 11          under section 6501 within which a tax may be assessed  
 12          under this chapter 12 (or under corresponding provisions  
 13          of prior laws) on—

14               “(1) the transfer of property by gift made during  
 15               a preceding calendar period (as defined in section  
 16               2502(b)), or

17               “(2) an increase in taxable gifts required under  
 18               section 2701(d),

19          the value thereof shall, for purposes of computing the tax  
 20          under this chapter, be the value as finally determined (with-  
 21          in the meaning of section 2001(f)(2)) for purposes of this  
 22          chapter.”.

23          (f) AMENDMENTS RELATED TO SECTION 507 OF 1997  
 24          ACT.—

1           (1) Paragraph (3) of section 1(g) of the 1986  
2       Code is amended by striking subparagraph (C) and  
3       by redesignating subparagraph (D) as subparagraph  
4       (C).

5           (2) Section 641 of the 1986 Code is amended by  
6       striking subsection (c) and by redesignating sub-  
7       section (d) as subsection (c).

8           (3) Paragraph (4) of section 1361(e) of the 1986  
9       Code is amended by striking “section 641(d)” and in-  
10      serting “section 641(c)”.

11          (4) Subparagraph (A) of section 6103(e)(1) of  
12      the 1986 Code is amended by striking clause (ii) and  
13      by redesignating clauses (iii) and (iv) as clauses (ii)  
14      and (iii), respectively.

15      (g) AMENDMENTS RELATED TO SECTION 508 OF 1997  
16   ACT.—

17          (1) Subsection (c) of section 2031 of the 1986  
18      Code is amended by redesignating paragraph (9) as  
19      paragraph (10) and by inserting after paragraph (8)  
20      the following new paragraph:

21           “(9) TREATMENT OF EASEMENTS GRANTED  
22      AFTER DEATH.—In any case in which the qualified  
23      conservation easement is granted after the date of the  
24      decedent’s death and on or before the due date (in-  
25      cluding extensions) for filing the return of tax im-

1       posed by section 2001, the deduction under section  
 2       2055(f) with respect to such easement shall be allowed  
 3       to the estate but only if no charitable deduction is al-  
 4       lowed under chapter 1 to any person with respect to  
 5       the grant of such easement.”.

6               (2) The first sentence of paragraph (6) of section  
 7       2031(c) of the 1986 Code is amended by striking all  
 8       that follows “shall be made” and inserting “on or be-  
 9       fore the due date (including extensions) for filing the  
 10      return of tax imposed by section 2001 and shall be  
 11      made on such return.”.

12   **SEC. 6008. AMENDMENTS RELATED TO TITLE VII OF 1997**  
 13               **ACT.**

14       (a) *AMENDMENT RELATED TO SECTION 1400 OF 1986*  
 15   *CODE.*—Section 1400(b)(2)(B) of the 1986 Code is amended  
 16   by inserting “as determined on the basis of the 1990 census”  
 17   after “percent”.

18       (b) *AMENDMENT RELATED TO SECTION 1400A OF*  
 19   *1986 CODE.*—Subsection (a) of section 1400A of the 1986  
 20   Code is amended by inserting before the period “and section  
 21   1394(b)(3)(B)(iii) shall be applied without regard to the  
 22   employee residency requirement”.

23       (c) *AMENDMENTS RELATED TO SECTION 1400B OF*  
 24   *1986 CODE.*—

1           (1) *Section 1400B(b) of the 1986 Code is amend-*  
 2           *ed by inserting after paragraph (4) the following new*  
 3           *paragraph:*

4           “(5) *TREATMENT OF DC ZONE TERMINATION.—*  
 5           *The termination of the designation of the DC Zone*  
 6           *shall be disregarded for purposes of determining*  
 7           *whether any property is a DC Zone asset.”.*

8           (2) *Paragraph (6) of section 1400B(b) of the*  
 9           *1986 Code is amended by striking “(4)(A)(ii)” and*  
 10          *inserting “(4)(A)(i) or (ii)”.*

11          (3) *Section 1400B(c) of the 1986 Code is amend-*  
 12          *ed by striking “entity which is an”.*

13          (4) *Section 1400B(d)(2) of the 1986 Code is*  
 14          *amended by inserting “as determined on the basis of*  
 15          *the 1990 census” after “percent”.*

16          (d) *AMENDMENTS RELATED TO SECTION 1400C OF*  
 17          *1986 CODE.—*

18          (1) *Paragraph (1) of section 1400C(b) of the*  
 19          *1986 Code is amended by inserting “and subsection*  
 20          *(d)” after “this subsection”.*

21          (2) *Paragraph (1) of section 1400C(c) of the*  
 22          *1986 Code is amended to read as follows:*

23          “(1) *IN GENERAL.—The term ‘first-time home-*  
 24          *buyer’ means any individual if such individual (and*  
 25          *if married, such individual’s spouse) had no present*

1        *ownership interest in a principal residence in the*  
2        *District of Columbia during the 1-year period ending*  
3        *on the date of the purchase of the principal residence*  
4        *to which this section applies.”.*

5            *(3) Subparagraph (B) of section 1400C(e)(2) of*  
6        *the 1986 Code is amended by inserting before the pe-*  
7        *riod “on the date the taxpayer first occupies such res-*  
8        *idence”.*

9            *(4) Paragraph (3) of section 1400C(e) of the*  
10       *1986 Code is amended by striking all that follows*  
11       *“principal residence” and inserting “on the date such*  
12       *residence is purchased.”.*

13           *(5) Subsection (i) of section 1400C of the 1986*  
14       *Code is amended to read as follows:*

15        *“(i) APPLICATION OF SECTION.—This section shall*  
16       *apply to property purchased after August 4, 1997, and be-*  
17       *fore January 1, 2001.”.*

18           *(6) Subsection (c) of section 23 of the 1986 Code*  
19       *is amended by inserting “and section 1400C” after*  
20       *“other than this section”.*

21           *(7) Subparagraph (C) of section 25(e)(1) of the*  
22       *1986 Code is amended by striking “section 23” and*  
23       *inserting “sections 23 and 1400C”.*

1 **SEC. 6009. AMENDMENTS RELATED TO TITLE IX OF 1997**

2 **ACT.**

3 *(a) AMENDMENT RELATED TO SECTION 901 OF 1997*

4 *ACT.—Section 9503(c)(7) of the 1986 Code is amended—*

5 *(1) by striking “resulting from the amendments*  
6 *made by” and inserting “(and transfers to the Mass*  
7 *Transit Account) resulting from the amendments*  
8 *made by subsections (a) and (b) of section 901 of”,*  
9 *and*

10 *(2) by inserting before the period “and deposits*  
11 *in the Highway Trust Fund (and transfers to the*  
12 *Mass Transit Account) shall be treated as made when*  
13 *they would have been required to be made without re-*  
14 *gard to section 901(e) of the Taxpayer Relief Act of*  
15 *1997”.*

16 *(b) AMENDMENT RELATED TO SECTION 907 OF 1997*

17 *ACT.—Paragraph (2) of section 9503(e) of the 1986 Code*  
18 *is amended by striking the last sentence and inserting the*  
19 *following new sentence: “For purposes of the preceding sen-*  
20 *tence, the term ‘mass transit portion’ means, for any fuel*  
21 *with respect to which tax was imposed under section 4041*  
22 *or 4081 and deposited into the Highway Trust Fund, the*  
23 *amount determined at the rate of—*

24 *“(A) except as otherwise provided in this*  
25 *sentence, 2.86 cents per gallon,*



1           “(B) 1.43 cents per gallon in the case of  
 2           any partially exempt methanol or ethanol fuel  
 3           (as defined in section 4041(m)) none of the alco-  
 4           hol in which consists of ethanol,

5           “(C) 1.86 cents per gallon in the case of liq-  
 6           uefied natural gas,

7           “(D) 2.13 cents per gallon in the case of liq-  
 8           uefied petroleum gas, and

9           “(E) 9.71 cents per MCF (determined at  
 10          standard temperature and pressure) in the case  
 11          of compressed natural gas.”.

12          (c) AMENDMENT RELATED TO SECTION 908 OF 1997  
 13 ACT.—Paragraph (6) of section 5041(b) of the 1986 Code  
 14 is amended by inserting “which is a still wine” after “hard  
 15 cider”.

16          (d) AMENDMENT RELATED TO SECTION 964 OF 1997  
 17 ACT.—

18           (1) IN GENERAL.—Subparagraph (C) of section  
 19 7704(g)(3) of the 1986 Code is amended by striking  
 20 the period at the end and inserting “and shall be  
 21 paid by the partnership. Section 6655 shall be ap-  
 22 plied to such partnership with respect to such tax in  
 23 the same manner as if the partnership were a cor-  
 24 poration, such tax were imposed by section 11, and  
 25 references in such section to taxable income were ref-

1        *erences to the gross income referred to in subpara-*  
 2        *graph (A).”.*

3            *(2) EFFECTIVE DATE.—The second sentence of*  
 4        *section 7704(g)(3)(C) of the 1986 Code (as added by*  
 5        *paragraph (1)) shall apply to taxable years beginning*  
 6        *after the date of the enactment of this Act.*

7            *(e) AMENDMENT RELATED TO SECTION 971 OF 1997*  
 8        *ACT.—Clause (ii) of section 280F(a)(1)(C) is amended by*  
 9        *striking “subparagraph (A)” and inserting “subparagraphs*  
 10       *(A) and (B)”.*

11          *(f) AMENDMENT RELATED TO SECTION 976 OF 1997*  
 12       *ACT.—Section 6103(d)(5) of the 1986 Code is amended by*  
 13       *striking “section 967 of the Taxpayer Relief Act of 1997.”*  
 14       *and inserting “section 976 of the Taxpayer Relief Act of*  
 15       *1997. Subsections (a)(2) and (p)(4) and sections 7213 and*  
 16       *7213A shall not apply with respect to disclosures or inspec-*  
 17       *tions made pursuant to this paragraph.”.*

18          *(g) AMENDMENT RELATED TO SECTION 977 OF 1997*  
 19       *ACT.—Paragraph (2) of section 977(e) of the 1997 Act is*  
 20       *amended to read as follows:*

21            *“(2) NON-AMTRAK STATE.—The term ‘non-Am-*  
 22        *trak State’ means any State which is not receiving*  
 23        *intercity passenger rail service from the Corporation*  
 24        *as of the date of the enactment of this Act.”.*

1 **SEC. 6010. AMENDMENTS RELATED TO TITLE X OF 1997 ACT.**

2 (a) *AMENDMENTS RELATED TO SECTION 1001 OF 1997*  
3 *ACT.*—

4 (1) *Paragraph (2) of section 1259(b) of the 1986*  
5 *Code is amended—*

6 (A) *by striking “debt” each place it appears*  
7 *in subparagraph (A) and inserting “position”,*

8 (B) *by striking “and” at the end of sub-*  
9 *paragraph (A), and*

10 (C) *by redesignating subparagraph (B) as*  
11 *subparagraph (C) and by inserting after sub-*  
12 *paragraph (A) the following new subparagraph:*

13 “(B) *any hedge with respect to a position*  
14 *described in subparagraph (A), and”.*

15 (2) *Section 1259(d)(1) of the 1986 Code is*  
16 *amended by inserting “(including cash)” after “prop-*  
17 *erty”.*

18 (3) *Subparagraph (D) of section 475(f)(1) of the*  
19 *1986 Code is amended by adding at the end the fol-*  
20 *lowing new sentence: “Subsection (d)(3) shall not*  
21 *apply under the preceding sentence for purposes of*  
22 *applying sections 1402 and 7704.”.*

23 (4) *Subparagraph (C) of section 1001(d)(3) of*  
24 *the 1997 Act is amended by striking “within the 30-*  
25 *day period beginning on” and inserting “before the*  
26 *close of the 30th day after”.*

1       (b) *AMENDMENT RELATED TO SECTION 1011 OF 1997*  
2 *ACT.—Paragraph (1) of section 1059(g) of the 1986 Code*  
3 *is amended by striking “and in the case of stock held by*  
4 *pass-thru entities” and inserting “, in the case of stock held*  
5 *by pass-thru entities, and in the case of consolidated*  
6 *groups”.*

7       (c) *AMENDMENTS RELATED TO SECTION 1012 OF 1997*  
8 *ACT.—*

9           (1) *Paragraph (1) of section 1012(d) of the 1997*  
10 *Act is amended by striking “1997, pursuant” and in-*  
11 *serting “1997; except that the amendment made by*  
12 *subsection (a) shall apply to such distributions only*  
13 *if pursuant”.*

14           (2) *Subparagraph (A) of section 355(e)(3) of the*  
15 *1986 Code is amended—*

16                   (A) *by striking “shall not be treated as de-*  
17 *scribed in” and inserting “shall not be taken*  
18 *into account in applying”, and*

19                   (B) *by striking clause (iv) and inserting the*  
20 *following new clause:*

21                           *“(iv) The acquisition of stock in the*  
22 *distributing corporation or any controlled*  
23 *corporation to the extent that the percentage*  
24 *of stock owned directly or indirectly in such*  
25 *corporation by each person owning stock in*

1           *such corporation immediately before the ac-*  
2           *quisition does not decrease.”.*

3           (3)(A) *Subsection (c) of section 351 of the 1986*  
4           *Code is amended to read as follows:*

5           “(c) *SPECIAL RULES WHERE DISTRIBUTION TO*  
6           *SHAREHOLDERS.—*

7           “(1) *IN GENERAL.—In determining control for*  
8           *purposes of this section, the fact that any corporate*  
9           *transferor distributes part or all of the stock in the*  
10          *corporation which it receives in the exchange to its*  
11          *shareholders shall not be taken into account.*

12          “(2) *SPECIAL RULE FOR SECTION 355.—If the re-*  
13          *quirements of section 355 (or so much of section 356*  
14          *as relates to section 355) are met with respect to a*  
15          *distribution described in paragraph (1), then, solely*  
16          *for purposes of determining the tax treatment of the*  
17          *transfers of property to the controlled corporation by*  
18          *the distributing corporation, the fact that the share-*  
19          *holders of the distributing corporation dispose of part*  
20          *or all of the distributed stock shall not be taken into*  
21          *account in determining control for purposes of this*  
22          *section.”.*

23          (B) *Clause (ii) of section 368(a)(2)(H) of the*  
24          *1986 Code is amended to read as follows:*

1                   “(ii) in the case of a transaction with  
 2                   respect to which the requirements of section  
 3                   355 (or so much of section 356 as relates to  
 4                   section 355) are met, the fact that the share-  
 5                   holders of the distributing corporation dis-  
 6                   pose of part or all of the distributed stock  
 7                   shall not be taken into account.”.

8           (d) *AMENDMENTS RELATED TO SECTION 1013 OF 1997*  
 9 *ACT.*—

10           (1) *Paragraph (5) of section 304(b) of the 1986*  
 11 *Code is amended by striking subparagraph (B) and*  
 12 *by redesignating subparagraph (C) as subparagraph*  
 13 *(B).*

14           (2) *Subsection (b) of section 304 of the 1986*  
 15 *Code is amended by adding at the end the following*  
 16 *new paragraph:*

17           “(6) *AVOIDANCE OF MULTIPLE INCLUSIONS,*  
 18 *ETC.—In the case of any acquisition to which sub-*  
 19 *section (a) applies in which the acquiring corporation*  
 20 *or the issuing corporation is a foreign corporation,*  
 21 *the Secretary shall prescribe such regulations as are*  
 22 *appropriate in order to eliminate a multiple inclu-*  
 23 *sion of any item in income by reason of this subpart*  
 24 *and to provide appropriate basis adjustments (includ-*

1        *ing modifications to the application of sections 959*  
 2        *and 961).’’.*

3        *(e) AMENDMENTS RELATED TO SECTION 1014 OF 1997*  
 4        *ACT.—*

5                *(1) Paragraph (1) of section 351(g) of the 1986*  
 6        *Code is amended by adding “and” at the end of sub-*  
 7        *paragraph (A) and by striking subparagraphs (B)*  
 8        *and (C) and inserting the following new subpara-*  
 9        *graph:*

10                *“(B) if (and only if) the transferor receives*  
 11        *stock other than nonqualified preferred stock—*

12                *“(i) subsection (b) shall apply to such*  
 13        *transferor, and*

14                *“(ii) such nonqualified preferred stock*  
 15        *shall be treated as other property for pur-*  
 16        *poses of applying subsection (b).’’.*

17                *(2) Clause (ii) of section 354(a)(2)(C) of 1986*  
 18        *Code is amended by adding at the end the following*  
 19        *new subclause:*

20                *“(III) EXTENSION OF STATUTE OF*  
 21        *LIMITATIONS.—The statutory period*  
 22        *for the assessment of any deficiency at-*  
 23        *tributable to a corporation failing to be*  
 24        *a family-owned corporation shall not*  
 25        *expire before the expiration of 3 years*

1                   *after the date the Secretary is notified*  
 2                   *by the corporation (in such manner as*  
 3                   *the Secretary may prescribe) of such*  
 4                   *failure, and such deficiency may be as-*  
 5                   *essed before the expiration of such 3-*  
 6                   *year period notwithstanding the provi-*  
 7                   *sions of any other law or rule of law*  
 8                   *which would otherwise prevent such as-*  
 9                   *essment.”.*

10           (f) *AMENDMENT RELATED TO SECTION 1024 OF 1997*  
 11 *ACT.—Section 6331(h)(1) of the 1986 Code is amended by*  
 12 *striking “The effect of a levy” and inserting “If the Sec-*  
 13 *retary approves a levy under this subsection, the effect of*  
 14 *such levy”.*

15           (g) *AMENDMENTS RELATED TO SECTION 1031 OF 1997*  
 16 *ACT.—*

17                   (1) *Subsection (l) of section 4041 of the 1986*  
 18 *Code is amended by striking “subsection (e) or (f)”*  
 19 *and inserting “subsection (f) or (g)”.*

20                   (2) *Subsection (b) of section 9502 of the 1986*  
 21 *Code is amended by moving the sentence added at the*  
 22 *end of paragraph (1) to the end of such subsection.*

23                   (3) *Subsection (c) of section 6421 of the 1986*  
 24 *Code is amended—*



1                   (A) by striking “(2)(A)” and inserting  
2                   “(2)”, and

3                   (B) by adding at the end the following sen-  
4                   tence: “Subsection (a) shall not apply to gasoline  
5                   to which this subsection applies.”.

6           (h) AMENDMENTS RELATED TO SECTION 1032 OF 1997  
7 ACT.—

8                   (1) Section 1032(a) of the 1997 Act is amended  
9                   by striking “Subsection (a) of section 4083” and in-  
10                  serting “Paragraph (1) of section 4083(a)”.

11                  (2) Section 1032(e)(12)(A) of the 1997 Act shall  
12                  be applied as if “gasoline, diesel fuel,” were the mate-  
13                  rial proposed to be stricken.

14                  (3) Paragraph (1) of section 4101(e) of the 1986  
15                  Code is amended by striking “dyed diesel fuel and  
16                  kerosene” and inserting “such fuel in a dyed form”.

17           (i) AMENDMENT RELATED TO SECTION 1034 OF 1997  
18 ACT.—Paragraph (3) of section 4251(d) of the 1986 Code  
19 is amended by striking “other similar arrangement” and  
20 inserting “any other similar arrangement”.

21           (j) AMENDMENTS RELATED TO SECTION 1041 OF 1997  
22 ACT.—

23                  (1) Subparagraph (A) of section 512(b)(13) of  
24                  the 1986 Code is amended by inserting “or accrues”  
25                  after “receives”.

1           (2) *Subclause (I) of section 512(b)(13)(B)(i) of*  
 2           *the 1986 Code is amended by striking “(as defined in*  
 3           *section 513A(a)(5)(A))”.*

4           (3) *Paragraph (2) of section 1041(b) of the 1997*  
 5           *Act is amended to read as follows:*

6           “(2) *BINDING CONTRACTS.—The amendments*  
 7           *made by this section shall not apply to any amount*  
 8           *received or accrued during the first 2 taxable years*  
 9           *beginning on or after the date of the enactment of this*  
 10           *Act if such amount is received or accrued pursuant*  
 11           *to a written binding contract in effect on June 8,*  
 12           *1997, and at all times thereafter before such amount*  
 13           *is received or accrued. The preceding sentence shall*  
 14           *not apply to any amount which would (but for the ex-*  
 15           *ercise of an option to accelerate payment of such*  
 16           *amount) be received or accrued after such 2 taxable*  
 17           *years.”.*

18           (k) *AMENDMENTS RELATED TO SECTION 1053 OF 1997*  
 19           *ACT.—*

20           (1) *Section 853 of the 1986 Code is amended by*  
 21           *redesignating subsection (e) as subsection (f) and by*  
 22           *inserting after subsection (d) the following new sub-*  
 23           *section:*

24           “(e) *TREATMENT OF TAXES NOT ALLOWED AS A*  
 25           *CREDIT UNDER SECTION 901(k).—This section shall not*

1 *apply to any tax with respect to which the regulated invest-*  
 2 *ment company is not allowed a credit under section 901*  
 3 *by reason of section 901(k).”.*

4           (2) *Subsection (c) of section 853 of the 1986*  
 5 *Code is amended by striking the last sentence.*

6           (l) *AMENDMENT RELATED TO SECTION 1055 OF 1997*  
 7 *ACT.—Section 6611(g)(1) of the 1986 Code is amended by*  
 8 *striking “(e), and (h)” and inserting “and (e)”.*

9           (m) *AMENDMENT RELATED TO SECTION 1061 OF 1997*  
 10 *ACT.—Subsection (c) of section 751 of the 1986 Code is*  
 11 *amended by striking “731” each place it appears and in-*  
 12 *serting “731, 732,”.*

13           (n) *AMENDMENT RELATED TO SECTION 1083 OF 1997*  
 14 *ACT.—Section 1083(a)(2) of the 1997 Act is amended—*

15                   (1) *by striking “21” and inserting “20”, and*

16                   (2) *by striking “22” and inserting “21”.*

17           (o) *AMENDMENT RELATED TO SECTION 1084 OF 1997*  
 18 *ACT.—*

19                   (1) *Paragraph (3) of section 264(a) of the 1986*  
 20 *Code is amended by striking “subsection (c)” and in-*  
 21 *serting “subsection (d)”.*

22                   (2) *Paragraph (4) of section 264(a) of the 1986*  
 23 *Code is amended by striking “subsection (d)” and in-*  
 24 *serting “subsection (e)”.*

1           (3)(A) Paragraph (4) of section 264(f) of the  
2           1986 Code is amended by adding at the end the fol-  
3           lowing new subparagraph:

4                   “(E) MASTER CONTRACTS.—If coverage for  
5           each insured under a master contract is treated  
6           as a separate contract for purposes of sections  
7           817(h), 7702, and 7702A, coverage for each such  
8           insured shall be treated as a separate contract  
9           for purposes of subparagraph (A). For purposes  
10          of the preceding sentence, the term ‘master con-  
11          tract’ shall not include any group life insurance  
12          contract (as defined in section 848(e)(2)).”.

13          (B) The second sentence of section 1084(d) of the  
14          1997 Act is amended by striking “but” and all that  
15          follows and inserting “except that, in the case of a  
16          master contract (within the meaning of section  
17          264(f)(4)(E) of the Internal Revenue Code of 1986),  
18          the addition of covered lives shall be treated as a new  
19          contract only with respect to such additional covered  
20          lives.”.

21          (4)(A) Clause (iv) of section 264(f)(5)(A) of the  
22          1986 Code is amended by striking the second sentence.

23          (B) Subparagraph (B) of section 6724(d)(1) of  
24          the 1986 Code is amended by striking “or” at the end  
25          of clause (xv), by striking the period at the end of

1 *clause (xvi) and inserting “, or”, and by adding at*  
2 *the end the following new clause:*

3 *“(xvii) section 264(f)(5)(A)(iv) (relat-*  
4 *ing to reporting with respect to certain life*  
5 *insurance and annuity contracts).”.*

6 *(C) Paragraph (2) of section 6724(d) of the 1986*  
7 *Code is amended by striking “or” at the end of sub-*  
8 *paragraph (Y), by striking the period at the end of*  
9 *subparagraph (Z) and inserting “or”, and by adding*  
10 *at the end the following new subparagraph:*

11 *“(AA) section 264(f)(5)(A)(iv) (relating to*  
12 *reporting with respect to certain life insurance*  
13 *and annuity contracts).”.*

14 *(p) AMENDMENTS RELATED TO SECTION 1085 OF 1997*  
15 *ACT.—*

16 *(1) Paragraph (5) of section 32(c) of the 1986*  
17 *Code is amended—*

18 *(A) by inserting before the period at the end*  
19 *of subparagraph (A) “and increased by the*  
20 *amounts described in subparagraph (C)”,*

21 *(B) by adding “or” at the end of clause (iii)*  
22 *of subparagraph (B), and*

23 *(C) by striking all that follows subclause*  
24 *(II) of subparagraph (B)(iv) and inserting the*  
25 *following:*

1                   “(III) other trades or businesses.

2                   *For purposes of clause (iv), there shall not*  
 3                   *be taken into account items which are at-*  
 4                   *tributable to a trade or business which con-*  
 5                   *sists of the performance of services by the*  
 6                   *taxpayer as an employee.*

7                   “(C) CERTAIN AMOUNTS INCLUDED.—An  
 8                   amount is described in this subparagraph if it  
 9                   is—

10                   “(i) interest received or accrued during  
 11                   the taxable year which is exempt from tax  
 12                   imposed by this chapter, or

13                   “(ii) amounts received as a pension or  
 14                   annuity, and any distributions or payments  
 15                   received from an individual retirement  
 16                   plan, by the taxpayer during the taxable  
 17                   year to the extent not included in gross in-  
 18                   come.

19                   Clause (ii) shall not include any amount which  
 20                   is not includible in gross income by reason of a  
 21                   trustee-to-trustee transfer or a rollover distribu-  
 22                   tion.”.

23                   (2) Clause (v) of section 32(c)(2)(B) of the 1986  
 24                   Code is amended by inserting “shall be taken into ac-  
 25                   count” before “, but only”.

1           (3) *The text of paragraph (3) of section 1085(a)*  
 2           *of the 1997 Act is amended to read as follows: “Para-*  
 3           *graph (2) of section 6213(g) (relating to the definition*  
 4           *of mathematical or clerical errors) is amended by*  
 5           *striking “and” at the end of subparagraph (I), by*  
 6           *striking the period at the end of subparagraph (J)*  
 7           *and inserting “, and”, and by inserting after sub-*  
 8           *paragraph (J) the following new subparagraph:*

9                     *“(K) an omission of information required*  
 10                    *by section 32(k)(2) (relating to taxpayers mak-*  
 11                    *ing improper prior claims of earned income*  
 12                    *credit).”.*

13           (q) *AMENDMENT RELATED TO SECTION 1088 OF 1997*  
 14 *ACT.—Section 1088(b)(2)(C) of the 1997 Act is amended*  
 15 *by inserting “more than 1 year” before “after”.*

16           (r) *AMENDMENT RELATED TO SECTION 1089 OF 1997*  
 17 *ACT.—Paragraphs (1)(C) and (2)(C) of section 664(d) of*  
 18 *the 1986 Code are each amended by adding*  
 19 *“, and” at the end.*

20 **SEC. 6011. AMENDMENTS RELATED TO TITLE XI OF 1997**  
 21 **ACT.**

22           (a) *AMENDMENT RELATED TO SECTION 1103 OF 1997*  
 23 *ACT.—The paragraph (3) of section 59(a) added by section*  
 24 *1103 of the 1997 Act is redesignated as paragraph (4).*

1       (b) *AMENDMENTS RELATED TO SECTION 1121 OF 1997*  
 2 *ACT.*—

3           (1) *Subsection (e) of section 1297 of the 1986*  
 4 *Code is amended by adding at the end the following*  
 5 *new paragraph:*

6           “(4) *TREATMENT OF HOLDERS OF OPTIONS.*—  
 7 *Paragraph (1) shall not apply to stock treated as*  
 8 *owned by a person by reason of section 1298(a)(4)*  
 9 *(relating to the treatment of a person that has an op-*  
 10 *tion to acquire stock as owning such stock) unless*  
 11 *such person establishes that such stock is owned (with-*  
 12 *in the meaning of section 958(a)) by a United States*  
 13 *shareholder (as defined in section 951(b)) who is not*  
 14 *exempt from tax under this chapter.”.*

15           (2) *Section 1298(a)(2)(B) of the 1986 Code is*  
 16 *amended by adding at the end the following new sen-*  
 17 *tence: “Section 1297(e) shall not apply in determin-*  
 18 *ing whether a corporation is a passive foreign invest-*  
 19 *ment company for purposes of this subparagraph.”.*

20       (c) *AMENDMENTS RELATED TO SECTION 1122 OF 1997*  
 21 *ACT.*—

22           (1) *Section 672(f)(3)(B) of the 1986 Code is*  
 23 *amended by striking “section 1296” and inserting*  
 24 *“section 1297”.*



1           (2) Paragraph (1) of section 1291(d) of the 1986  
2       Code is amended by adding at the end the following  
3       new sentence: “In the case of stock which is marked  
4       to market under section 475 or any other provision  
5       of this chapter, this section shall not apply, except  
6       that rules similar to the rules of section 1296(j) shall  
7       apply.”.

8           (3) Subsection (d) of section 1296 of the 1986  
9       Code is amended by adding at the end the following  
10      new sentence: “In the case of a regulated investment  
11      company which elected to mark to market the stock  
12      held by such company as of the last day of the taxable  
13      year preceding such company’s first taxable year for  
14      which such company elects the application of this sec-  
15      tion, the amount referred to in paragraph (1) shall  
16      include amounts included in gross income under such  
17      mark to market with respect to such stock for prior  
18      taxable years.”.

19      (d) AMENDMENT RELATED TO SECTION 1123 OF 1997  
20   ACT.—The subsection (e) of section 1297 of the 1986 Code  
21   added by section 1123 of the 1997 Act is redesignated as  
22   subsection (f).

23      (e) AMENDMENTS RELATED TO SECTION 1131 OF 1997  
24   ACT.—

1           (1) *Section 991 of the 1986 Code is amended by*  
 2           *striking “except for the tax imposed by chapter 5”.*

3           (2) *Section 6013 of the 1986 Code is amended by*  
 4           *striking “chapters 1 and 5” each place it appears in*  
 5           *paragraphs (1)(A) and (5) of subsection (g) and in*  
 6           *subsection (h)(1) and inserting “chapter 1” .*

7           (f) *AMENDMENT RELATED TO SECTION 1144 OF 1997*  
 8 *ACT.—Paragraphs (1) and (2) of section 1144(c) of the*  
 9 *1997 Act are each amended by striking “6038B(b)” and*  
 10 *inserting “6038B(c) (as redesignated by subsection (b))”.*

11 **SEC. 6012. AMENDMENTS RELATED TO TITLE XII OF 1997**

12 **ACT.**

13           (a) *AMENDMENT RELATED TO SECTION 1204 OF 1997*  
 14 *ACT.—The last sentence of section 162(a) of the 1986 Code*  
 15 *is amended by striking “investigate” and all that follows*  
 16 *and inserting “investigate or prosecute, or provide support*  
 17 *services for the investigation or prosecution of, a Federal*  
 18 *crime.”.*

19           (b) *AMENDMENTS RELATED TO SECTION 1205 OF 1997*  
 20 *ACT.—*

21           (1) *Section 6311(e)(1) of the 1986 Code is*  
 22           *amended by striking “section 6103(k)(8)” and insert-*  
 23           *ing “section 6103(k)(9)”.*

1           (2) Paragraph (8) of section 6103(k) of the 1986  
2           Code (as added by section 1205(c)(1) of the 1997 Act)  
3           is redesignated as paragraph (9).

4           (3) The subsection (g) of section 7431 of the 1986  
5           Code added by section 1205 of the 1997 Act is redesign-  
6           ated as subsection (h) and is amended by striking  
7           “(8)” in the heading and inserting “(9)”.

8           (4) Section 1205(c)(3) of the 1997 Act shall be  
9           applied as if it read as follows:

10           “(3) Section 6103(p)(3)(A), as amended by sec-  
11           tion 1026(b)(1)(A) of the 1997 Act, is amended by  
12           striking “or (8)” and inserting “(8), or (9)”.

13           (5) Section 1213(b) of the 1997 Act is amended  
14           by striking “section 6724(d)(1)(A)” and inserting  
15           “section 6724(d)(1)”.

16           (c) AMENDMENT RELATED TO SECTION 1221 OF 1997  
17           ACT.—Paragraph (2) of section 774(d) of the 1986 Act is  
18           amended by inserting before the period “or 857(b)(3)(D)”.

19           (d) AMENDMENT RELATED TO SECTION 1226 OF 1997  
20           ACT.—Section 1226 of the 1997 Act is amended by striking  
21           “ending on or” and inserting “beginning”.

22           (e) AMENDMENT RELATED TO SECTION 1231 OF 1997  
23           ACT.—Subsection (c) of section 6211 of the 1986 Code is  
24           amended—

1           (1) by striking “SUBCHAPTER C” in the heading  
2           and inserting “SUBCHAPTERS C AND D”, and

3           (2) by striking “subchapter C” in the text and  
4           inserting “subchapters C and D”.

5           (f) AMENDMENT RELATED TO SECTION 1256 OF 1997  
6 ACT.—Subparagraph (A) of section 857(d)(3) of the 1986  
7 Code is amended by striking “earliest accumulated earnings  
8 and profits (other than earnings and profits to which sub-  
9 section (a)(2)(A) applies)” and inserting “earliest earnings  
10 and profits accumulated in any taxable year to which the  
11 provisions of this part did not apply”.

12          (g) AMENDMENT RELATED TO SECTION 1285 OF 1997  
13 ACT.—Section 7430(b) of the 1986 Code is amended by re-  
14 designating paragraph (5) as paragraph (4).

15 **SEC. 6013. AMENDMENTS RELATED TO TITLE XIII OF 1997**

16 **ACT.**

17          (a) AMENDMENTS RELATED TO SECTION 1305 OF 1997  
18 ACT.—

19           (1) Section 646 of the 1986 Code is redesignated  
20 as section 645.

21           (2) The item relating to section 646 in the table  
22 of sections for subpart A of part I of subchapter J of  
23 chapter 1 of the 1986 Code is amended by striking  
24 “Sec. 646” and inserting “Sec. 645”.

1           (3) Paragraph (1) of section 2652(b) of the 1986  
2       Code is amended by striking “section 646” and in-  
3       serting “section 645”.

4           (4)(A) Paragraph (1) of section 2652(b) of the  
5       1986 Code is amended by striking the second sentence.

6           (B) Subsection (b) of section 2654 of the 1986  
7       Code is amended by adding at the end the following  
8       new sentence: “For purposes of this subsection, a trust  
9       shall be treated as part of an estate during any pe-  
10      riod that the trust is so treated under section 645.”.

11       (b) AMENDMENTS RELATED TO SECTION 1309 OF 1997  
12   ACT.—

13           (1) Subsection (b) of section 685 of the 1986  
14       Code is amended by adding at the end the following  
15       flush sentence:

16   “A trust shall not fail to be treated as meeting the require-  
17   ment of paragraph (6) by reason of the death of an individ-  
18   ual but only during the 60-day period beginning on the  
19   date of such death.”.

20           (2) Subsection (f) of section 685 of the 1986 Code  
21       is amended by inserting before the period at the end  
22       “and of trusts terminated during the year”.

1 **SEC. 6014. AMENDMENTS RELATED TO TITLE XIV OF 1997**

2 **ACT.**

3 (a) *AMENDMENT RELATED TO SECTION 1422 OF 1997*

4 *ACT.*—Section 5364 of the 1986 Code is amended by strik-  
5 ing “Wine imported or brought into” and inserting “Natu-  
6 ral wine (as defined in section 5381) imported or brought  
7 into”.

8 (b) *AMENDMENT RELATED TO SECTION 1434 OF 1997*

9 *ACT.*—Paragraph (2) of section 4052(f) of the 1986 Code  
10 is amended by striking “this section” and inserting “such  
11 section”.

12 (c) *AMENDMENT RELATED TO SECTION 1436 OF 1997*

13 *ACT.*—Paragraph (2) of section 4091(a) of the 1986 Code  
14 is amended by inserting “or on which tax has been credited  
15 or refunded” after “such paragraph”.

16 (d) *AMENDMENT RELATED TO SECTION 1453 OF 1997*

17 *ACT.*—Subparagraph (D) of section 7430(c)(4) of the 1986  
18 Code is amended by striking “subparagraph (A)(iii)” and  
19 inserting “subparagraph (A)(ii)”.

20 **SEC. 6015. AMENDMENTS RELATED TO TITLE XV OF 1997**

21 **ACT.**

22 (a) *AMENDMENT RELATED TO SECTION 1501 OF 1997*

23 *ACT.*—The paragraph (8) of section 408(p) of the 1986 Code  
24 added by section 1501(b) of the 1997 Act is redesignated  
25 as paragraph (9).

1       (b) *AMENDMENT RELATED TO SECTION 1505 OF 1997*  
2 *ACT.—Section 1505(d)(2) of the 1997 Act is amended by*  
3 *striking “(b)(12)” and inserting “(b)(12)(A)(i)”.*

4       (c) *AMENDMENTS RELATED TO SECTION 1529 OF 1997*  
5 *ACT.—*

6           (1) *Section 1529(a) of the 1997 Act is amended*  
7 *to read as follows:*

8       “(a) *GENERAL RULE.—Amounts to which this section*  
9 *applies which are received by an individual (or the sur-*  
10 *vivors of the individual) as a result of hypertension or heart*  
11 *disease of the individual shall be excludable from gross in-*  
12 *come under section 104(a)(1) of the Internal Revenue Code*  
13 *of 1986.”.*

14           (2) *Section 1529(b)(1)(B) of the 1997 Act is*  
15 *amended to read as follows:*

16           “(B) *under—*

17                   “(i) *a State law (as amended on May*  
18 *19, 1992) which irrebuttably presumed that*  
19 *heart disease and hypertension are work-re-*  
20 *lated illnesses but only for employees hired*  
21 *before July 1, 1992, or*

22                   “(ii) *any other statute, ordinance,*  
23 *labor agreement, or similar provision as a*  
24 *disability pension payment or in the nature*  
25 *of a disability pension payment attributable*

1           to employment as a police officer or fire-  
 2           man, but only if the individual is referred  
 3           to in the State law described in clause (i);  
 4           and”.

5           (d) *AMENDMENT RELATED TO SECTION 1530 OF 1997*  
 6 *ACT.*—Subparagraph (C) of section 404(a)(9) of the 1986  
 7 Code (as added by section 1530 of the 1997 Act) is redesign-  
 8 nated as subparagraph (D) and is amended by striking “A  
 9 qualified” and inserting “QUALIFIED GRATUITOUS TRANS-  
 10 FERS.—A qualified”.

11          (e) *AMENDMENT RELATED TO SECTION 1531 OF 1997*  
 12 *ACT.*—Subsection (f) of section 9811 of the 1986 Code (as  
 13 added by section 1531 of the 1997 Act) is redesignated as  
 14 subsection (e).

15 **SEC. 6016. AMENDMENTS RELATED TO TITLE XVI OF 1997**  
 16 **ACT.**

17          (a) *AMENDMENTS RELATED TO SECTION 1601(d) OF*  
 18 *1997 ACT.*—

19           (1) *AMENDMENTS RELATED TO SECTION*  
 20 *1601(d)(1)*—

21           (A) Section 408(p)(2)(D)(i) of the 1986  
 22 Code is amended by striking “or (B)” in the last  
 23 sentence.

24           (B) Section 408(p) of the 1986 Code is  
 25 amended by adding at the end the following:



1           “(10) *SPECIAL RULES FOR ACQUISITIONS, DIS-*  
2           *POSITIONS, AND SIMILAR TRANSACTIONS.—*

3           “(A) *IN GENERAL.—An employer which*  
4           *fails to meet any applicable requirement by rea-*  
5           *son of an acquisition, disposition, or similar*  
6           *transaction shall not be treated as failing to*  
7           *meet such requirement during the transition pe-*  
8           *riod if—*

9           “(i) *the employer satisfies requirements*  
10          *similar to the requirements of section*  
11          *410(b)(6)(C)(i)(II), and*

12          “(ii) *the qualified salary reduction ar-*  
13          *rangement maintained by the employer*  
14          *would satisfy the requirements of this sub-*  
15          *section after the transaction if the employer*  
16          *which maintained the arrangement before*  
17          *the transaction had remained a separate*  
18          *employer.*

19          “(B) *APPLICABLE REQUIREMENT.—For*  
20          *purposes of this paragraph, the term ‘applicable*  
21          *requirement’ means—*

22          “(i) *the requirement under paragraph*  
23          *(2)(A)(i) that an employer be an eligible*  
24          *employer,*

1                   “(ii) the requirement under paragraph  
2                   (2)(D) that an arrangement be the only  
3                   plan of an employer, and

4                   “(iii) the participation requirements  
5                   under paragraph (4).

6                   “(C) *TRANSITION PERIOD.*—For purposes of  
7                   this paragraph, the term ‘transition period’  
8                   means the period beginning on the date of any  
9                   transaction described in subparagraph (A) and  
10                  ending on the last day of the second calendar  
11                  year following the calendar year in which such  
12                  transaction occurs.”.

13                  (C) Section 408(p)(2) of the 1986 Code is  
14                  amended—

15                         (i) by striking “the preceding sentence  
16                         shall apply only in accordance with rules  
17                         similar to the rules of section  
18                         410(b)(6)(C)(i)” in the last sentence of sub-  
19                         paragraph (C)(i)(II) and inserting “the  
20                         preceding sentence shall not apply”, and

21                         (ii) by striking clause (iii) of subpara-  
22                         graph (D).

23                  (2) *AMENDMENT TO SECTION 1601(d)(4).*—Sec-  
24                  tion 1601(d)(4)(A) of the 1997 Act is amended—

1           (A) by striking “Section 403(b)(11)” and  
 2           inserting “Paragraphs (7)(A)(ii) and (11) of sec-  
 3           tion 403(b)”, and

4           (B) by striking “403(b)(1)” in clause (ii)  
 5           and inserting “403(b)(10)”.

6           (b) AMENDMENT RELATED TO SECTION 1601(f)(4) OF  
 7           1997 ACT.—Subsection (d) of section 6427 of the 1986 Code  
 8           is amended—

9           (1) by striking “HELICOPTERS” in the heading  
 10          and inserting “OTHER AIRCRAFT USES”, and

11          (2) by inserting “or a fixed-wing aircraft” after  
 12          “helicopter”.

13   **SEC. 6017. AMENDMENTS RELATED TO SMALL BUSINESS**  
 14                           **JOB PROTECTION ACT OF 1996.**

15          (a) AMENDMENT RELATING TO SECTION 1116.—Sub-  
 16          paragraph (C) of section 1116(b)(2) of the Small Business  
 17          Job Protection Act of 1996 is amended by striking “chapter  
 18          68” and inserting “chapter 61”.

19          (b) AMENDMENT RELATING TO SECTION 1421.—Sec-  
 20          tion 408(d)(7) of the 1986 Code is amended—

21          (1) by inserting “or 402(k)” after “section  
 22          402(h)” in subparagraph (B) thereof, and

23          (2) by inserting “OR SIMPLE RETIREMENT AC-  
 24          COUNTS” after “PENSIONS” in the heading thereof.

1       (c) *AMENDMENT RELATING TO SECTION 1431.*—Sub-  
2   paragraph (E) of section 1431(c)(1) of the Small Business  
3   Job Protection Act of 1996 is amended to read as follows:

4               “(E) Section 414(q)(5), as redesignated by sub-  
5   paragraph (A), is amended by striking ‘under para-  
6   graph (4) or the number of officers taken into account  
7   under paragraph (5)’”.

8       (d) *AMENDMENT RELATING TO SECTION 1604.*—Para-  
9   graph (3) of section 1604(b) of such Act is amended—

10              (1) by striking “such Code” and inserting “the  
11   Internal Revenue Code of 1986”, and

12              (2) by striking “such date of enactment” and in-  
13   serting “the date of the enactment of this Act”.

14       (e) *AMENDMENT RELATING TO SECTION 1609.*—Para-  
15   graph (1) of section 1609(h) of such Act is amended by  
16   striking “paragraph (3)(A)(i)” and inserting “paragraph  
17   (3)(A)”.

18       (f) *AMENDMENTS RELATING TO SECTION 1807.*—

19              (1) Subparagraph (A) of section 23(b)(2) of the  
20   1986 Code (relating to income limitation on credit for  
21   adoption expenses) is amended by inserting “(deter-  
22   mined without regard to subsection (c))” after “for  
23   any taxable year”.

8           (h) *EFFECTIVE DATE.*—*The amendments made by this*  
9   *section shall take effect as if included in the provisions of*  
10 *the Small Business Job Protection Act of 1996 to which*  
11 *they relate.*

14 (a) *IN GENERAL.*—Subsection (b) of section 6104 of  
15 the 1986 Code is amended by adding at the end the follow-  
16 ing new sentence: “In the case of an organization described  
17 in section 501(d), this subsection shall not apply to copies  
18 referred to in section 6031(b) with respect to such organiza-  
19 tion.”.

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1       (c) *EFFECTIVE DATE.*—*The amendments made by this*  
 2 *section shall take effect on the date of the enactment of this*  
 3 *Act.*

4       **SEC. 6019. AMENDMENT RELATED TO OMNIBUS BUDGET**  
 5               **RECONCILIATION ACT OF 1993.**

6       (a) *IN GENERAL.*—*Section 196(c) of the 1986 Code is*  
 7 *amended by striking “and” at the end of paragraph (6),*  
 8 *by striking the period at the end of paragraph (7), and in-*  
 9 *sert “, and”, and by adding at the end the following new*  
 10 *paragraph:*

11               “(8) *the employer social security credit deter-*  
 12 *mined under section 45B(a).”.*

13       (b) *EFFECTIVE DATE.*—*The amendment made by this*  
 14 *section shall take effect as if included in the amendments*  
 15 *made by section 13443 of the Revenue Reconciliation Act*  
 16 *of 1993.*

17       **SEC. 6020. AMENDMENT RELATED TO REVENUE RECONCILI-**  
 18               **ATION ACT OF 1990.**

19       (a) *IDENTIFICATION REQUIREMENT FOR INDIVIDUALS*  
 20 *ELIGIBLE FOR EARNED INCOME CREDIT.*—*Subparagraph*  
 21 *(F) of section 32(c)(1) of the 1986 Code is amended by strik-*  
 22 *ing “The term ‘eligible individual’ does not include any in-*  
 23 *dividual who does not include on the return of tax for the*  
 24 *taxable year—” and inserting “No credit shall be allowed*

1 *under this section to an eligible individual who does not*  
 2 *include on the return of tax for the taxable year—”.*

3 *(b) IDENTIFICATION REQUIREMENT FOR QUALIFYING*  
 4 *CHILDREN UNDER EARNED INCOME CREDIT.—*

5 *(1) IN GENERAL.—Clause (i) of section*  
 6 *32(c)(3)(D) of the 1986 Code is amended—*

7 *(A) by striking “The requirements of this*  
 8 *subparagraph are met” and inserting “A quali-*  
 9 *fying child shall not be taken into account under*  
 10 *subsection (b)”,*

11 *(B) by striking “each” and inserting “the”,*  
 12 *and*

13 *(C) by striking “(without regard to this*  
 14 *subparagraph)”.*

15 *(2) INDIVIDUALS WHO DO NOT INCLUDE TIN,*  
 16 *ETC., OF ANY QUALIFYING CHILD.—Paragraph (1) of*  
 17 *section 32(c) of the 1986 Code is amended by adding*  
 18 *at the end the following new subparagraph:*

19 *“(G) INDIVIDUALS WHO DO NOT INCLUDE*  
 20 *TIN, ETC., OF ANY QUALIFYING CHILD.—No cred-*  
 21 *it shall be allowed under this section to any eli-*  
 22 *gible individual who has 1 or more qualifying*  
 23 *children if no qualifying child of such individual*  
 24 *is taken into account under subsection (b) by*  
 25 *reason of paragraph (3)(D).”.*

1           (3) *CONFORMING AMENDMENT.*—Subparagraph  
 2           (A) of section 32(c)(3) is amended by inserting “and”  
 3           at the end of clause (ii), by striking “, and” at the  
 4           end of clause (iii) and inserting a period, and by  
 5           striking clause (iv).

6           (c) *EFFECTIVE DATES.*—

7           (1) *ELIGIBLE INDIVIDUALS.*—The amendment  
 8           made by subsection (a) shall take effect as if included  
 9           in the amendments made by section 451 of the Per-  
 10          sonal Responsibility and Work Opportunity Rec-  
 11          onciliation Act of 1996.

12          (2) *QUALIFYING CHILDREN.*—The amendments  
 13          made by subsection (b) shall take effect as if included  
 14          in the amendments made by section 11111 of Revenue  
 15          Reconciliation Act of 1990.

16 **SEC. 6021. AMENDMENT RELATED TO TAX REFORM ACT OF**  
 17 **1986.**

18          (a) *IN GENERAL.*—Section 6401(b)(1) of the 1986 Code  
 19          is amended by striking “and D” and inserting “D, and  
 20          G”.

21          (b) *EFFECTIVE DATE.*—The amendment made by sub-  
 22          section (a) shall take effect as if included in the amendments  
 23          made by section 701(b) of the Tax Reform Act of 1986.



1 **SEC. 6022. MISCELLANEOUS CLERICAL AND DEADWOOD**  
2 **CHANGES.**

3 (1) *The heading for subparagraph (B) of section*  
4 *45A(b)(1) of the 1986 Code is amended by striking*  
5 *“TARGETED JOBS CREDIT” and inserting “WORK OP-*  
6 *PORTUNITY CREDIT”.*

7 (2) *The subsection heading for section 59(b) of*  
8 *the 1986 Code is amended by striking “SECTION 936*  
9 *CREDIT” and inserting “CREDITS UNDER SECTION*  
10 *30A OR 936”.*

11 (3) *Subsection (n) of section 72 of the 1986 Code*  
12 *is amended by inserting “(as in effect on the day be-*  
13 *fore the date of the enactment of the Small Business*  
14 *Job Protection Act of 1996)” after “section*  
15 *101(b)(2)(D)”.*

16 (4) *Subparagraph (A) of section 72(t)(3) of the*  
17 *1986 Code is amended by striking “(A)(v),” and in-*  
18 *serting “(A)(v)”.*

19 (5) *Clause (ii) of section 142(f)(3)(A) of the 1986*  
20 *Code is amended by striking “1997, (” and inserting*  
21 *“1997 (”.*

22 (6) *The last sentence of paragraph (3) of section*  
23 *501(n) of the 1986 Code is amended by striking “sub-*  
24 *paragraph (C)(ii)” and inserting “subparagraph*  
25 *(E)(ii)”.*

1           (7) *The heading for subclause (II) of section*  
2           *512(b)(17)(B)(ii) of the 1986 Code is amended by*  
3           *striking “RULE” and inserting “RULE”.*

4           (8) *Clause (ii) of section 543(d)(5)(A) of the*  
5           *1986 Code is amended by striking “section 563(c)”*  
6           *and inserting “section 563(d)”.*

7           (9) *Subparagraph (B) of section 871(f)(2) of the*  
8           *1986 Code is amended by striking “(19 U.S.C. 2462)”*  
9           *and inserting “19 U.S.C. 2461 et seq.)”.*

10          (10) *Paragraph (2) of section 1017(a) of the*  
11          *1986 Code is amended by striking “(b)(2)(D)” and*  
12          *inserting “(b)(2)(E)”.*

13          (11) *Subparagraph (D) of section 1250(d)(4) of*  
14          *the 1986 Code is amended by striking “the last sen-*  
15          *tence of section 1033(b)” and inserting “section*  
16          *1033(b)(2)”.*

17          (12) *Paragraph (5) of section 3121(a) of the*  
18          *1986 Code is amended—*

19                (A) *by striking the semicolon at the end of*  
20                *subparagraph (F) and inserting a comma,*

21                (B) *by striking “or” at the end of subpara-*  
22                *graph (G), and*

23                (C) *by striking the period at the end of sub-*  
24                *paragraph (I) and inserting a semicolon.*

1           (13) Paragraph (19) of section 3401(a) of the  
2           1986 Code is amended by inserting “for” before “any  
3           benefit provided to”.

4           (14) Paragraph (21) of section 3401(a) of the  
5           1986 Code is amended by inserting “for” before “any  
6           payment made”.

7           (15) Sections 4092(b) and 6427(q)(2) of the 1986  
8           Code are each amended by striking “section  
9           4041(c)(4)” and inserting “section 4041(c)(2)”.

10          (16) Sections 4221(c) and 4222(d) of the 1986  
11          Code are each amended by striking “4053(a)(6)” and  
12          inserting “4053(6)”.

13          (17)(A) The heading of section 4973 of the 1986  
14          Code is amended to read as follows:

15          **“SEC. 4973. TAX ON EXCESS CONTRIBUTIONS TO CERTAIN**  
16               **TAX-FAVORED ACCOUNTS AND ANNUITIES.”.**

17          (B) The item relating to section 4973 in the  
18          table of sections for chapter 43 of the 1986 Code is  
19          amended to read as follows:

“Sec. 4973. Tax on excess contributions to certain tax-favored ac-  
counts and annuities.”.

20          (18) Section 4975 of the 1986 Code is amend-  
21          ed—

22               (A) in subsection (c)(3) by striking “exempt  
23               for the tax” and inserting “exempt from the  
24               tax”, and

1           (B) in subsection (i) by striking “Secretary  
2           of Treasury” and inserting “Secretary of the  
3           Treasury”.

4           (19) Paragraph (1) of section 6039(a) of the  
5           1986 Code is amended by inserting “to any person”  
6           after “transfers”.

7           (20) Subparagraph (A) of section 6050R(b)(2) of  
8           the 1986 Code is amended by striking the semicolon  
9           at the end thereof and inserting a comma.

10          (21) Subparagraph (A) of section 6103(h)(4) of  
11          the 1986 Code is amended by inserting “if” before  
12          “the taxpayer is a party to”.

13          (22) Paragraph (5) of section 6416(b) of the  
14          1986 Code is amended by striking “section  
15          4216(e)(1)” each place it appears and inserting “sec-  
16          tion 4216(d)(1)”.

17          (23)(A) Section 6421 of the 1986 Code is amend-  
18          ed by redesignating subsections (j) and (k) as sub-  
19          sections (i) and (j), respectively.

20          (B) Subsection (b) of section 34 of the 1986 Code  
21          is amended by striking “section 6421(j)” and insert-  
22          ing “section 6421(i)”.

23          (C) Subsections (a) and (b) of section 6421 of the  
24          1986 Code are each amended by striking “subsection  
25          (j)” and inserting “subsection (i)”.

1           (24) Paragraph (3) of section 6427(f) of the 1986  
2       Code is amended by striking “, (e),”.

3           (25)(A) Section 6427 of the 1986 Code, as  
4       amended by paragraph (2), is amended by redesignat-  
5       ing subsections (n), (p), (q), and (r) as subsections  
6       (m), (n), (o), and (p), respectively.

7           (B) Paragraphs (1) and (2)(A) of section 6427(i)  
8       of the 1986 Code are each amended by striking “(q)”  
9       and inserting “(o)”.

10          (26) Subsection (m) of section 6501 of the 1986  
11       Code is amended by striking “election under” and all  
12       that follows through “(or any” and inserting “election  
13       under section 30(d)(4), 40(f), 43, 45B, 45C(d)(4), or  
14       51(j) (or any”.

15          (27) The paragraph heading of paragraph (2) of  
16       section 7702B(e) of the 1986 Code is amended by in-  
17       serting “SECTION” after “APPLICATION OF”.

18          (28) Paragraph (3) of section 7435(b) of the  
19       1986 Code is amended by striking “attorneys fees”  
20       and inserting “attorneys’ fees”.

21          (29) Subparagraph (B) of section 7872(f)(2) of  
22       the 1986 Code is amended by striking “foregone” and  
23       inserting “forgone”.

24          (30) Subsection (e) of section 9502 of the 1986  
25       Code is amended to read as follows:

1       “(e) *CERTAIN TAXES ON ALCOHOL MIXTURES TO RE-*  
 2 *MAIN IN GENERAL FUND.*—*For purposes of this section, the*  
 3 *amounts which would (but for this subsection) be required*  
 4 *to be appropriated under subparagraphs (A), (C), and (D)*  
 5 *of subsection (b)(1) shall be reduced by—*

6               “(1) 0.6 cent per gallon in the case of taxes im-  
 7       posed on any mixture at least 10 percent of which is  
 8       alcohol (as defined in section 4081(c)(3)) if any por-  
 9       tion of such alcohol is ethanol, and

10              “(2) 0.67 cent per gallon in the case of fuel used  
 11       in producing a mixture described in paragraph (1).”.

12              (31)(A) Clause (i) of section 9503(c)(2)(A) of the  
 13       1986 Code is amended by adding “and” at the end  
 14       of subclause (II), by striking subclause (III), and by  
 15       redesignating subclause (IV) as subclause (III).

16              (B) Clause (ii) of such section is amended by  
 17       striking “gasoline, special fuels, and lubricating oil”  
 18       each place it appears and inserting “fuel”.

19              (32) The amendments made by this section shall  
 20       take effect on the date of the enactment of this Act.

21 **SEC. 6023. EFFECTIVE DATE.**

22       *Except as otherwise provided in this title, the amend-*  
 23 *ments made by this title shall take effect as if included in*

- 1 *the provisions of the Taxpayer Relief Act of 1997 to which*
- 2 *they relate.*

Attest:

*Secretary.*

105<sup>TH</sup> CONGRESS  
2<sup>D</sup> SESSION

**H. R. 2676**

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**AMENDMENT**



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